CREDIT and FINANCIAL MANAGEMENT

MAY, 1931

Vol. 33
No. 5

An aggressive effort to hasten business recovery....

Many an industry could not have introduced its products so quickly and attained its present size as rapidly without installment *buying*. Installment *paying* of past due bills (without keeping creditors waiting) offers an even more essential means of hastening business recovery. How the average family may consolidate its debts, repay creditors at once, and repay the family finance company in small installments is the subject of this advertisement. It is one of a large series that is now appearing in newspapers of four and three-quarter million circulation. Public spirited citizens are invited to write for more information about personal finance as an essential for insuring prosperity. Address Dept. C3, Household Finance Corporation, Palmolive Bldg., Chicago.

THE EFFECT OF FLEXIBILITY ON EARNINGS

Number 4

It is now possible to point out the key to the weakness in the financial structure on which business concerns were operating at the close of 1929, which appears to have been responsible, more than any other single factor, for the reverses of the past fifteen months.

Platitudes express that weakness briefly—

Industry was designed and rigged to run in fair weather before a stiff, steady breeze. No provision had been made for either a calm or a rough sea.

Industry was set to go at high speed without four-wheel brakes.

Now that we have said what everyone knows, what can be done about it?

Business concerns, large and small, in every line were equipped and personnelled to carry on profitably, provided that the rate of Industrial activity had either been maintained or increased.

But no provision had been made by 75% or more of the Industrial Concerns in this country to operate at a profit on a materially reduced Sales volume. The Fixed Expenses and Contractor Liabilities were not sufficiently Flexible to cope with an unusual situation of an unfavorable nature.

This is the explanation—

The Selling Price of any commodity is made up of either two or three primary component parts.

The Sales Price of the product of any Manufacturer is the sum total of the cost of—

1. Materials. 2. Labor and 3. General and Overhead Expense plus Profit.

The Selling Price of Wholesalers and Retailers may be roughly divided into two parts—

1. Cost of Materials and 2. General and Overhead Expense plus Profit.

As the weakness in the financial structure of the business unit was centered in its lack of Flexibility to operate profitably on a reduced volume of sales, it is obvious that the crux of the weakness in the situation hinged principally on the element of the Selling Price which was least Flexible, that is, General and Overhead Expense and Profit.

If business in the future is to carry on with reasonable safety, all of the three component parts in the Selling Price must be subject to immediate expansion or to drastic reduction.

Under the conditions, that existed in 1929, the parts of the Selling Price made up of costs of Materials and Labor were reasonably Flexible. That part, General and Overhead Expense plus Profit, was comparatively rigid.

While Materials (1) as far as new supplies are concerned, is a Flexible item on reduced Sales schedules, Materials already in stock or for which firm contracts have been made become a serious drain to Profits when a quick curtailment is absolutely essential, particularly so, as during a period of contraction commodity prices invariably decline.

Labor (2) in Manufacturing is reasonably flexible as the number employed may be immediately regulated to meet a reduced production schedule.

Summarizing—Flexibility should be stressed as the essential factor in planning and budgeting Industrial activities in the future.

Flexibility may be attained—

1st—By keeping Inventory and contracts for Materials in direct and constant alignment with current Sales, and current Liabilities in correct relationship with Working Capital.

2nd—By shortening the conversion or turn-over period to an irreducible minimum.

3rd—The elements of Selling Price consisting of (2 or 3) General and Overhead Expense and Profit, which varies between a 10% and a 50% Mark-Up over the factory door cost in Manufacturing, or the cost of Materials in Wholesaling and Retailing, must be Flexible, as it is apparent that Industry must anticipate the possibility of wider fluctuations in Sales volume in the future than it has in the past.

4th—The items which will be intensely scrutinized are Rentals, General Contractual Expenses of every nature, and all Fixed Charges, particularly the requirements to meet Capital Liabilities, such as Sinking Fund and Interest Charges.

5th—From now on Industry will take into Consideration not only the increase in the efficiency of Machinery, but the far greater increase in the productive capacity and the ability of the individual in every phase of business activity, because of the educational advantages and training both in and outside of business that are now available, which had not been properly appraised until tested by recent necessity.

6th—In budgeting the earning position of their clients, Accountants will from now on project their figures three ways, under (1) a continuation of current conditions, (2) a more favorable condition, and (3) on a definitely adverse condition—for they are well aware of the fact that on every 5% reduction in Sales, the average concern, without Flexibility in the adjustment of Cost, will show a reduction of 1-2/5% in earnings as a minimum.

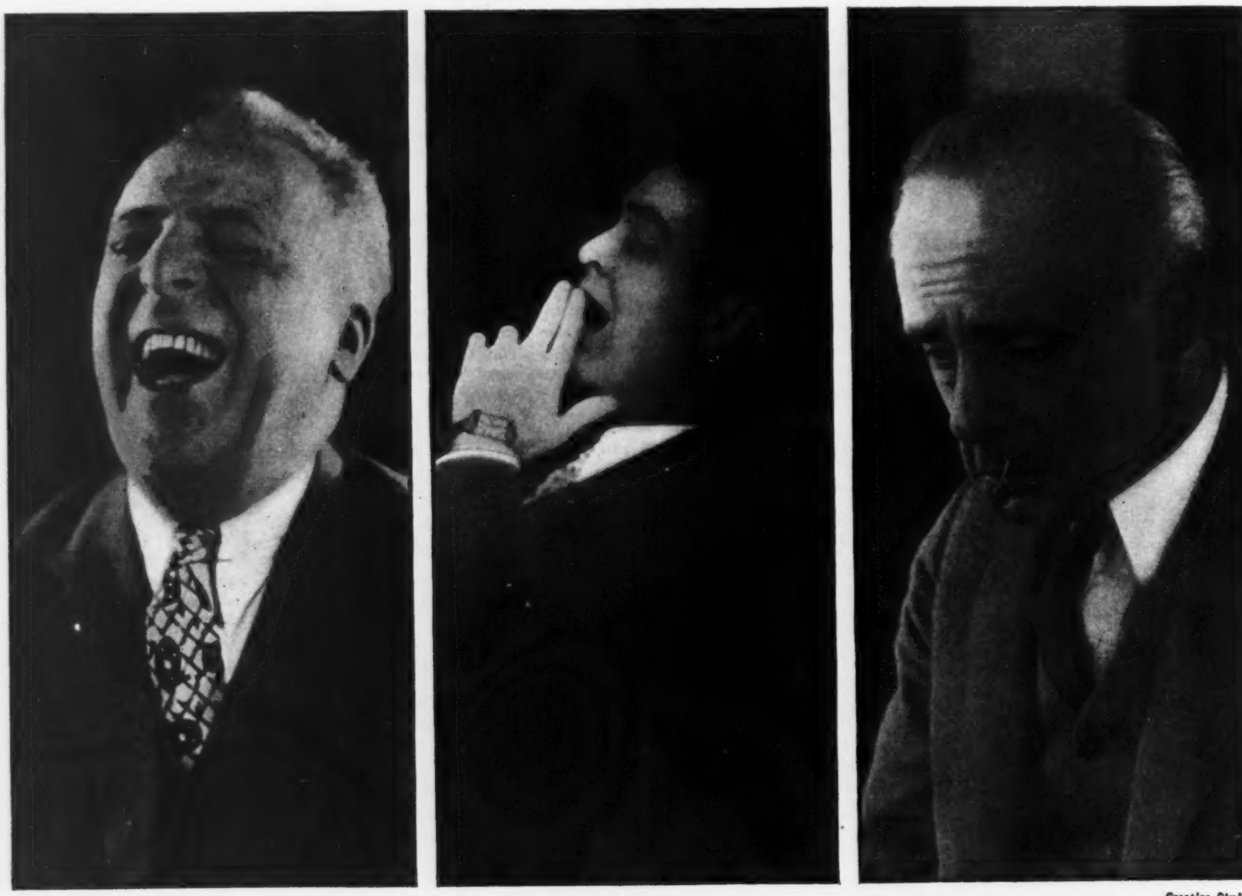
The R. G. Dun System, directing the activities of R. G. Dun & Co. and of the National Credit Office, will stress the points outlined above in reporting the credit condition of your customers.

A. D. WHITESIDE, *President*

R. G. Dun & Co.
290 Broadway

National Credit Office, Inc.
2 Park Avenue

NEW YORK CITY



Creative Studios.

WITH WHAT KIND OF MAN ARE YOU DEALING? . . .

An Advertisement of
The Hooper-Holmes Bureau, Inc.,
New York

You are about to risk a sum of money. The most important consideration governing the risk is the character of man with whom you are dealing. You don't know what sort he is and neither do we. But it is our business to find out. . . . .

Every day, as part of the routine of the nation's great business structure colossal aggregates of money are ventured on the supposition that the average man is basically honest. The ordinary man **is** honest, too. It is the extraordinary man who causes the losses; the man of easy conscience. And, even in the case of the honest man, our ventures are not necessarily secure because the elements of business capacity, health and opportunity form considerable factors. In order to deal capably with any risk it is essential to have a picture of employment, environment, past history and reputation. The difficulty is to get such information. . . . .

Through years of service to some of the country's greatest industries, this organization stands preeminently qualified to accomplish the task. The gathering of moral hazard information has been our business for thirty-two years. Now, with fifty-seven offices and a veteran personnel only your commands are necessary. . . . .

The nationwide facilities of The Hooper-Holmes Bureau are devoted to the compiling of Moral Hazard Inspection Reports for insurance underwriting, credit, commercial and employment purposes and claim reports. . . . . .

Established 1899

CREDIT and FINANCIAL MANAGEMENT

■ Looking Ahead

In June, CREDIT AND FINANCIAL MANAGEMENT offers some unusually significant articles on the fundamentals of our business structure. Richard Whitney, president of the New York Stock Exchange, discusses the place of the Stock Exchange in American Business. Mr. H. Benington, of the firm of Scovell, Wellington & Company, in an article on Constructive Auditing, gives his conception of the auditor as a financial and business advisor.

The most important development in the field of credit, group credit control, is the subject of an article by E. B. Odenkirk of the Medusa Portland Cement Co., who is prominent in the group credit activities of the Association.

A series of studies of basic industries is inaugurated this month with an article on the Cement Industry.

The Gold Star Credit Department series is continued with an article by Russell O. Deupree on the credit administration of the Procter & Gamble Distributing Company. The fifth article in the series on Executive Office Management by H. P. Preston will deal with Office Correspondence.

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CHESTER H. McCALL, Editor and Business Manager

S. Raphael, *Associate Editor* ■ Clifford T. Rogers, *Advertising Manager* ■ Simpson-Reilly, *Pacific Coast Representatives* ■ Philip J. Gray, *Western Advertising Manager* ■ F. M. Ferguson, *Circulation Manager*

CREDIT and FINANCIAL MANAGEMENT May, 1931

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Vol. XXXIII No. 5

how fast does a crow fly?

PERHAPS you wonder why a business man should be interested in the answer to this ornithological question. One might think for an hour or two and still arrive at no definite conclusion as to why a business executive should be interested in how fast a crow flies.

It seems to be the general impression that a crow is capable of flying at a speed of around one hundred miles an hour. One naturalist estimates the speed at slightly greater than one hundred miles an hour—another at slightly less. At any rate, it has always been the general impression that a crow flies very swiftly. You will understand why a business man should be interested in the question of how fast a crow flies when I relate an incident told to me by Mr. Orville Wright, when I talked with him in Dayton some time ago.

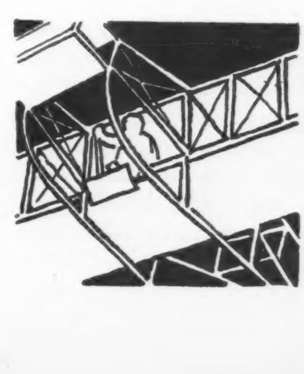
Mr. Wright told me that he had always heard a great deal about the unusual speed of a crow in flight, so when he and his brother began their early flying experiments, they actually went to the trouble of getting out into the country and timing the flight of a great many crows. They also timed the flight of ducks, geese and many other birds. Mr. Wright told me that the estimated speed of the crow's flight was very greatly exaggerated as were most of the theories and ideas pertaining to flying and aviation. What the technical significance of his timing of the crow's flight may have had in his aviation experiments is a story that does not concern us here.

But we are deeply concerned with this admirable example of the infinite care, the infinite patience and the infinite thoroughness of the Wright brothers in getting the factual data which enabled them to realize their dreams and ambitions in their epochal flight at Kitty Hawk. The greatness of any nation is nothing more than the multiplication of the greatness of its leaders. A business depression is nothing more than the multiplication of the mistakes of our business leaders.

In this country a tradition has been built up that our leaders and our big executives must be men who devote their time and energy to broad administrative problems and generalized executive thinking. Details are banned. The big executive must not waste his time on details. Probably this fundamental conception of an executive's responsibility and duty is one of the serious problems this country faces today. The technique of solving major administrative problems is virtually the same as the technique the Wright brothers had to follow in order to get their machine off the ground at Kitty Hawk. Shouldn't every executive make a fundamental distinction between details and routine? Genius has been defined as "the infinite capacity for taking pains." Business would suffer less from economic pains if business men would take more pains to familiarize themselves with many of the details which they consider too small for their executive attention. I don't know of anything that has appealed to me so much as the story of a president of a large company who put on his hat and went out to make some personal sales calls on a new product that his company was putting out. The president of another company that was putting out a competing product was content to give a higher polish to the leather on his chair cushion. Which company do you think had a volume of sales three times as great as the other?

John Foster said that "Genius is the power of lighting one's own fire." The Wright brothers lighted their own fire by going to the infinite pains of timing a crow's flight. Napoleon concerned himself with every detail of a military campaign. Why shouldn't the business executive concern himself with every detail of his business campaigns? If every business executive did this there would be no multiplication of mistakes to aggregate and aggravate a depression or slump. Figuratively speaking, isn't it an imperative responsibility for the business man to know how fast a crow flies?

Chester H. McCall



SPEED COLLECTIONS

by POSTAL TELEGRAPH

Postal Telegrams Get Quick Action . . . Nationally Known Manufacturer Makes Test . . .

SPEED begets speed . . . particularly in stirring lagging debtors to action . . . by Postal Telegraph.

A nationally known manufacturer recently sent telegrams to seventeen slow accounts. Nine responded with checks at once. Three more needed the mental jogging of a second telegram. Four who did not pay, made satisfactory answer at once. Only one of the seventeen *failed* to answer.

Postal Telegraph, reaches 70,000 points in the United States, 8,000 in Canada and, through the International System, of which it is a part, it reaches the entire world. It offers a quick, effective and inexpensive means of speeding up collections. A Postal Telegram invariably gets attention where letters often go unheeded.

Postal Telegraph is the only American telegraph company offering a world-wide service of coordinated record communications.

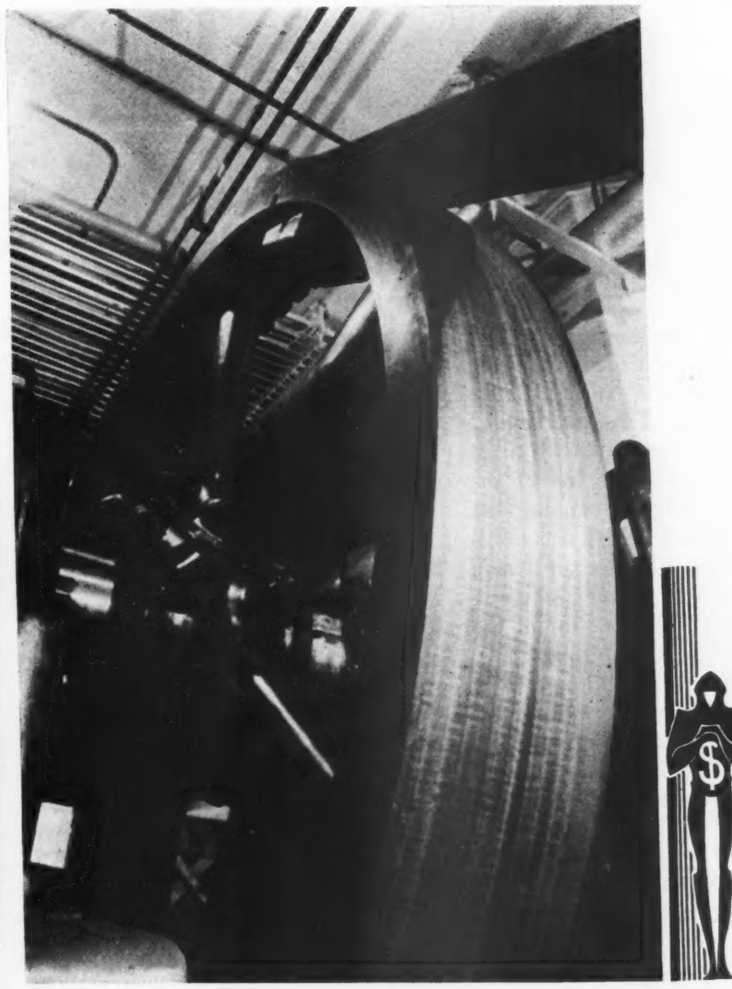
Postal Telegrams arouse debtors to action, without arousing their ill will.

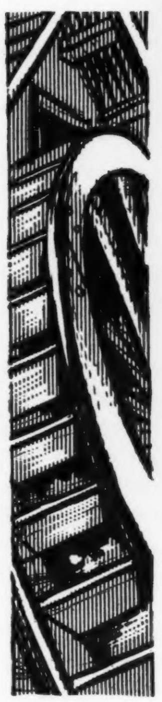
THE INTERNATIONAL SYSTEM

Postal Telegraph

Commercial Cables — All America Cables

Mackay Radio





stilled wheels

by DR. STEPHEN I. MILLER

Executive Manager, N. A. C. M.

THE development of economic activity and organization has surpassed that of every other activity, occupation, or profession. One hundred and seventy-five years ago each family, in even the most progressive countries, produced virtually all of its food and nearly all of its clothing. The village mill, blacksmith shop, and the general store stood out as lonesome outposts of the industrial and distributive system. In the short period of little more than a century the economic world passed from primitive to diversified agriculture, from the hand loom to modern textile machinery, from the ox-cart to the railroad, from horse power to the steam and internal combustion engine, from the general store to the chain and specialized store, from money changing to the existing credit system, from hand work to machine production, and from unorganized production to the present-day organization of labor, capital, and marketing.

It is such a revolution that largely accounts for present-day problems. The average man, especially in America, has passed from the economic necessity of thrift and frugality into a world of comfort and semi-luxury. The automobile, railroad, and steamship stimulate his curiosity, and spirit of adventure. The theatre, press, and radio reveal the fighting lines of science, government, politics, industry, and society. The individualist who formerly rocked a cradle, wielded an axe, or shod a horse, is now relating early pioneer stories to his grandchildren. Modern economic development has no parallel in history. The citizen stands perplexed and gropes about for a decision. The business man faces changes in production cost, methods of distribution, and the prosperity cycle.

Just now the great modern plant has slowed down. Some machines are at a standstill and unemployed stand in groups awaiting the awakening of the colossal industrial giant. At such a time the shortsighted condemn the machine age and even the generosity of Nature. But let no man make a mistake. Capital and machines have made civilization. We have slowed down because of past wars and present political unrest in South America, Asia and Europe; because we can not restrain the hand of the selfish and unfit; because we have failed to use wisely our great resources and the inventions of our laboratories.

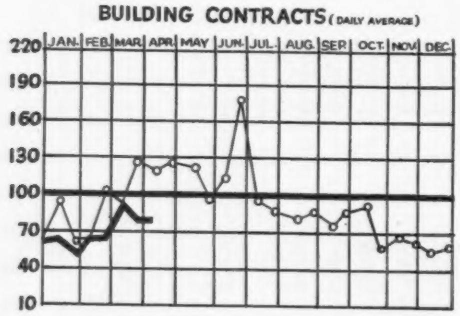
the business

a compilation of business indices

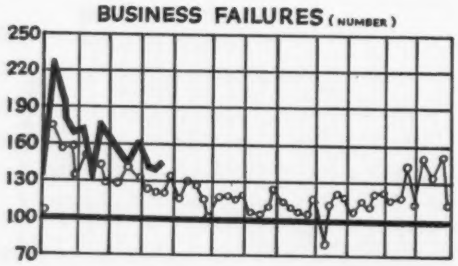
THE economic omnibus is starting to climb uphill. It is hardly moving. That is because any machine starting off from a dead stop at the bottom of a steep hill will have a hard climb before it reaches the top of the hill and can roll along the more-or-less level country beyond. The encouraging sign is that, despite some sputtering and backfiring, the motor is doing pretty well, which means the top of the hill is not an impossible objective.

As an aid to its readers, CREDIT AND FINANCIAL MANAGEMENT presents a survey of some of the leading business indicators and indices so that business leaders will have a co-ordinated report of the progress being made during the uphill climb. As we look ahead, the prospect may be a bit disheartening but it is likewise encouraging to know that the precipitous declines of the past months are apparently over. The bottom has been reached. The sounds which you hear result from gear-shifting which means that adaptation to meet the conditions ahead is under way. Let us survey some evidences of these adaptations.

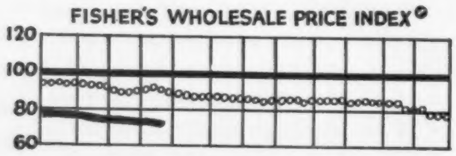
BUILDING CONTRACTS (DAILY AVERAGE)



BUSINESS FAILURES (NUMBER)



FISHER'S WHOLESALE PRICE INDEX°



°1926 average = base 100 in Fisher's Index

AUTO PRODUCTION: Reports indicate lower automobile production by most companies during the first quarter of 1931 than during a similar period in 1930. However, some companies have recently increased production and there are indications that others are planning to do so. Dealers in some lines state that they are being urged to place larger orders than they feel justified in placing.

It is true, says David A. Weir, formerly professor of finance at Notre Dame and now with the National Association of Credit Men in charge of Business Service, that a part of this reluctance on the part of the dealers may be indicative of an excessive caution caused by unsatisfactory conditions during the past year. It is also fair to note, he continues, that the companies which have increased or which are planning to increase production schedules are not acting entirely without reason. The number of cars which have reached an age when they would be traded in if conditions were normal, is probably greater than ever before. There is, therefore, some actual demand and a strong potential demand for new cars.

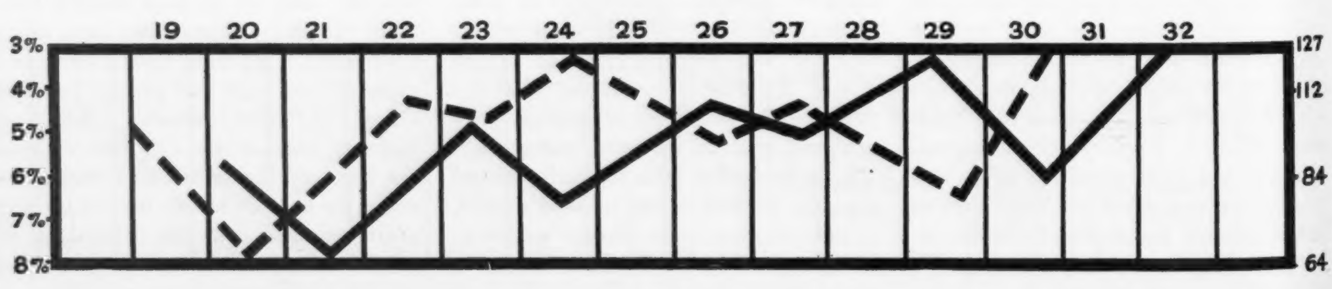
The wisdom of any considerable increase in production within the near future depends largely upon the extent to which the potential demand becomes actual. In other words, if general conditions of employment and business improve sufficiently within the next few months to permit those who want new cars to actually purchase them, increased production plans will have been justified. It seems apparent that any decided increase now is, to some extent, in anticipation of a general business improvement. If there should be any decided increase without a corresponding improvement in general conditions following rather closely, it would likely become necessary to cut down the production schedule later in the year.

Plans for greater production are, therefore, encouraging, insofar as they show an intelligent confidence in the future. At the same time, there is an element of danger if the confidence is not well grounded. The necessity for an unusually close and constant check on the relation between production and sales, as well as on general business conditions, is apparent if a possible later reaction is to be guarded against.

BANK CLEARINGS: Bank clearings in the United States for the week ending Thursday, April 30, Bradstreet reports, aggregated \$8,816,348,000. as against \$8,469,594,000. in the past week, and

Simonds' trade index

the dotted line is commercial paper rates . . . . the solid line is the volume of industrial production . . . . both are taken from Federal Reserve Bulletins



thermometer

$11,684,185,000. in the same week last year. The week's total showed an increase of 4.1 per cent. from the previous week and a decrease of 24.5 per cent. from the like week of last year.

The total bank clearings in forty-eight cities of the United States on April 23 reflected a slight decrease with one city, Washington, showing a gain over a year ago of 4.6 per cent. At Toledo, the decrease was only a fifth of 1 per cent., while Denver, Providence, Newark, Oakland, California, New Orleans and Philadelphia reported decreases of only 4.7 to 7.8 per cent., and Houston, New York, Baltimore, St. Paul, Indianapolis, and Boston reported decreases of less than 10 per cent.

BUILDING CONSTRUCTION: Actual figures for the first quarter of the year, according to Dodge reports on contracts awarded in the 37 states east of the Rockies, show that building construction is 24 per cent. below totals for a similar period last year and the smallest for the past six years. More building permits than in any month since last September were issued in March, according to reports from 202 cities to Bradstreet's. Residential building is the hope of contractors, at present, for other forms of construction are further behind than this type. During the first three months residential building, compared with 1930, lagged only 4 per cent. while non-residential dropped 40 per cent. Such figures show a bit more than the expected seasonal increase that was predicted some weeks ago, all of which is a hopeful sign for this and allied lines.

BUSINESS FAILURES: One certain indication of comparative business health is the number of commercial failures. It is not customary for a business to fail when it is making sufficient sales and profits. That is obvious. Accordingly the figures on failures can give us little hope of an early summer start to normalcy. Liquidation evidently remains urgent in business although since the less efficient are the first to fall, the business structure has had many units which burdened it eliminated. But many are still hanging on and the trade conditions of the next few months will determine their fate.

Dun reports indicate that the number of commercial failures in the first quarter of the year were the largest in history for any three months. In the first three months of 1930, insolvencies were up to 7,368 and liabilities involved were $169,357,551. This year's first quarter saw 8,483 business places close their doors with liabilities totaling $214,602,374. Over fifty per cent. of these bankruptcies exceeded $5,000 each. The report of the week ending May 2 showed a decrease of 80 to a total of 532 as compared with the previous week's figures of 612, and the same week in 1930 with a total of 472.

Bank failures reports, however, are slightly more cheerful. From the start of the year until April 15, there were 396 bank closings, according to the *American Banker*, which states that the situation is clearing up and that 1931 will have considerably fewer than the 1,345 closings reported in 1930. In January, 211 institutions throughout the country were closed. In February the total fell to eighty-three and in the next month to eighty-two and for the first half of April to twenty.

CAR LOADINGS: The downward trend was in evidence in the first quarter of the year in car loadings of revenue freight. A decline of 2,000,000 cars, or 17.8 per cent., was noted as compared with the first quarter of 1930. Grain and kindred products showed the least decline, being around 3.5 per cent. but ore and forest products sank as far as 37 per cent. below last year's levels. Livestock and merchandise both showed a continued descent in the percentages, dropping 11.5 per cent.

The April 23 report of the American Railway Association presented the loadings for the week of April 11 at 737,934 cars, a decrease of 173,382 cars below the corresponding week of 1930 and 235,218 cars below the same week of 1929. An interpretation of car

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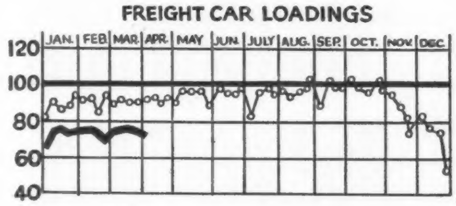
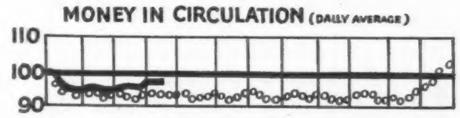
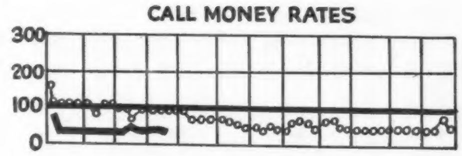
FREIGHT CAR LOADINGS



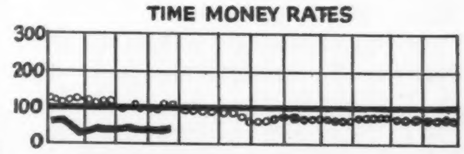
MONEY IN CIRCULATION (DAILY AVERAGE)



CALL MONEY RATES



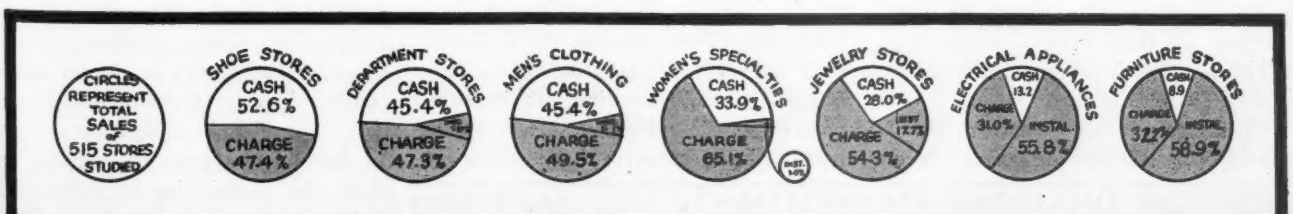
TIME MONEY RATES

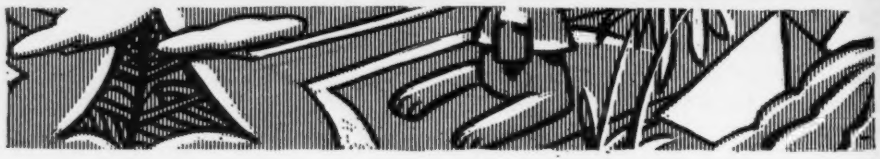


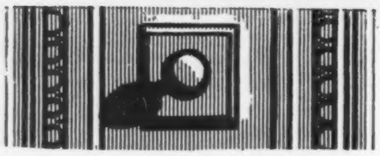
single column charts are from United States Department of Commerce bulletin

cash receipts vs. credit

shaded sectors represent instalment and charge accounts from "The Outline of Business," Central United National Bank of Cleveland . . . based on Department of Commerce Survey







center door-knob

SIR RONALD LINDSAY, the new British Ambassador to the United States is the most personable and likable of the foreign ambassadors that I have interviewed. He received me in his private office in the new British Embassy on Massachusetts Avenue in Washington, D. C. From authoritative sources I learn that the British Embassy is the finest embassy in the world today.

It is fitting that Great Britain's ambassador who represents his country in its biggest and finest embassy should also be the biggest and finest of its diplomats. Shortly after Sir Ronald came to this country to succeed Sir Esme Howard, the *New York Times* eulogized him as "Britain's biggest man in the field of foreign affairs."

When I read this statement to Sir Ronald he smiled and answered, "When it says 'the biggest man' it is right in the sense that I am probably the biggest in physical size and stature."

The humility and modesty inherent in that answer are a direct reflection of the mental stature and humanitarian tendencies of the man. Most people generally think of an ambassador as some one who is very formal and very difficult to meet. This is a greatly mistaken impression and no foreign diplomat exemplifies the truth of this statement better than Sir Ronald Lindsay.

I was with him for over half an hour before the "question and answer" part of the interview began. The Ambassador showed me through the Embassy, took me out on the grounds and explained many interesting architectural points about the buildings and general layout of the property. When we returned to his individualistic and highly interesting study and office we finally discussed the subject matter of this interview.

Most of the doors in the Embassy have the doorknobs exactly in the center of the door instead of at the side where door-knobs are generally placed. After I had talked to the Ambassador for a while an interesting comparison came to mind, which at first seemed a little far-fetched, but which became more logical and appropriate as I thought it over. As Sir Ronald answered some of my questions, my gaze shifted slightly to rest on the knob in the middle of the door. Something of a legend has grown up about diplomats thinking and acting in circles and not coming directly to the point. Evasiveness is considered a diplomatic attribute. Sir Ronald conforms to none of these ideas. In his thinking he shifts neither to the right nor left but drives directly

■ **the British Ambassador fixes his attention as precisely in the center of each question raised as the embassy knobs are fixed to the doors**

an interview by CHESTER H. McCALL
with SIR RONALD LINDSAY

diplomat

to the center point of the question or problem. This might appropriately be termed "center door-knob diplomacy". He either answered every question directly or stated specifically why it was not within his province to answer it,—and there was no "quibbling" or "hum and hawing".

Before becoming Ambassador to the United States, Sir Ronald was permanent under-Secretary of State for Foreign Affairs and Chief of the Foreign Office. No other man in British diplomatic service has had such varied and important experiences. In 1924 he held the very difficult post of British Ambassador at Constantinople during the first years of Mustapha Kemal's presidency. He has also served in St. Petersburg (now Leningrad), Berlin, Teheran, Paris, the Hague and in Egypt. In the last named position he was an official of the Egyptian government and not a diplomatic representative of the British government. His colorful career has extended over a period of thirty-two years.

Sir Ronald has a real basis for understanding the American viewpoint. He was First Counselor of the British Embassay at Washington during the latter part of the Wilson administration and during the period when the controversy was waging over the League of Nations Covenant. He has been married twice and both wives have been American,—which of course allows certain deductions as to his American viewpoint.

Many business executives wonder how much and what kind of information they can procure from the British Embassy, so I asked the following question to get this information: "How can the commercial department of the British Embassy be of service to American business men?"

The Ambassador replied: "The United States and Great Britain are the two greatest foreign trading nations of the world. The total overseas commerce passing between them every year amounts in value to nearly one and a quarter billions of dollars. This trade however is not evenly distributed, for American purchases from Britain do not amount to much more than a third of the value of American sales to the United Kingdom. From many points of view a closer adjustment of the merchandise balance of trade is desirable, and the commercial department is therefore equipped to give advice and assistance to American business men desirous of expanding their import trade. Facilities exist for placing American importers and agents in direct touch with responsible British firms able to supply those high grade products of Great Britain which on account of their fine quality and workmanship find a ready market in the United States. Guidance is also furnished to American firms contemplating the establishment of branch factories in England in order to take advantage of the valuable market which exists there, and on the continent of Europe, for American goods. The expansion of British trade with the United States is naturally the chief aim of the commercial diplomatic officers but the

(*Continued on page* 38)

business

NUMEROUS prudently managed corporations for years built up reserves for the proverbial rainy day, and then hesitated to draw on them when it poured.

Fear, like greed, is a poor counsellor for an individual or a board charged with the responsibility of guiding the destiny of a large corporation. In 1930, 1,008 companies in the United States took adverse dividend action, either reducing the rate or omitting the dividend entirely, compared with 154 in 1929, 142 in 1928 and 170 in 1927.

In 1930, 1,482 companies liberalized dividends, compared with 2,393 in 1929, 1,468 in 1928, and 1,179 in 1927. Thus far, in 1931, corporations have pulled in their horns dividendwise. In the first two months, 286 companies took adverse dividend action compared with 76 in the corresponding period last year, and in the same two months, only 187 took favorable dividend action against 289 last year.

It is of course impossible wisely to administer company affairs on the basis of aphorisms or wide generalizations. Directors must exercise their discretion in the light of special circumstances affecting their own company. In discussing this question with me recently, Alfred P. Sloan, Jr., president of General Motors Corporation said:

"If a corporation's position is sound industrially and financially, I think it is justified in times like these to pay out all its earnings in dividends, and even go a step further and dip into surplus in order to continue dividend disbursements, which applies especially to strong companies like the United States Steel Corporation and our own."

Foolish sentimentality should not actuate guardians of accumulated corporate profit needlessly to cut the wages of capital. Superficially there is a temptation to do this when the dividend has in effect been cut on labor common through the scarcity of jobs, causing widespread part-time employment or unemployment.

Sympathy for labor should not be articulated through unnecessarily penalizing stockholders. To cut dividends would reduce consumer purchasing power and thus accelerate the vicious cycle of depression which throws workers out of jobs. Furthermore, with the wider diffusion of corporate shares among the public since the war, tens of thousands of workers on part time basis, such as the employees of the United States Steel Corporation and also the Bethlehem Steel Corporation, are also stockholders. To cut dividends after wage receipts have been reduced through part-time, rather than full time employment, would result in intensifying the hardships of such workers.

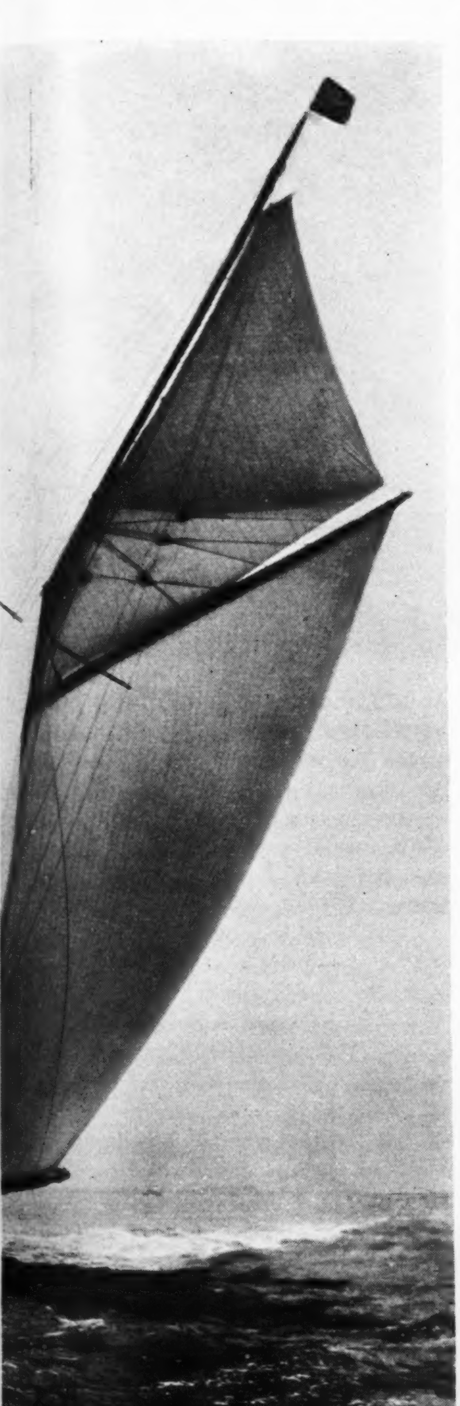
Parenthetically, I want to say that in the next period of prosperity progressive corporations should consider setting up special unemployment reserves just as they have in the past set up dividend reserves out of excess earnings. Furthermore, if at present any company is so poor that it must choose between performing its responsibilities to loyal and competent employees and continuing dividends, it should not hesitate to slough off dividends to stockholders. In urging that affluent corporations exert themselves to keep up normal dividend disbursements, I do not mean to say that they should be negligent in any way of the human rights of employees.

To an increasing extent, well managed companies seek to establish a stable dividend rate which they can pay through all stages of the business cycle. This means that in good years directors must be abstemious, paying out to stockholders only a fraction of the profits which are legally available for dividend disbursements.

The profits retained by the company still legally belong to the stockholders, provided all prior claims are satisfied. But, since profits retained are subject to the hazards and vicissitudes of future business, investors ordinarily value profits disbursed to them higher than net income retained in the corporate treasury. Where companies are especially well managed, like the American Can Company, for example, investors who express their applause and hisses at the stock market, recognize that perhaps the management can employ the retained profits more advantageously than individual stockholders could. Accordingly, such companies sell on a high

if the excess profits of prosperity were withheld, for distribution as dividends during days of depression, business would ride on a more even keel

ballast



ratio of price to earnings, without much regard to dividend. The stockholder expects that eventually the retained profits will be distributed to him as a melon.

However, in a company like the American Telephone and Telegraph Company, in which the chief executive officer has announced that there will be no increase over the 9 per cent. dividend, there is less interest in excess undistributed earnings than in actual dividend disbursements, which are sweetened virtually every two years by valuable subscription rights.

Of course, companies that retain excess profits do so not from any single desire to set up dividend reserves for interludes of slack earnings. Frequently profits are retained in part to finance necessary capital expansion.

The Van Sweringens, who brought the spirit of venturesomeness back to the railroad field, believe that a railroad ought not to pay out more than one-half of its average earnings in dividends.

Speaking for an unregulated industry, Mr. Sloan told me that before the depression he established the policy for General Motors of paying out to stockholders 60 per cent. of earnings available for dividends.

The decision on proper proportions to distribute depends somewhat on the capital structure of a company. Conservative investors disapprove of fixed charges—interest on bonds—running more than half of anticipated irreducible minimum net income. Where companies have no bonds outstanding, dividends on preferred stock, which are a contingent liability rather than an inflexible fixed charge, can safely run up to two-thirds or even three-quarters of anticipated income.

Lawrence H. Sloan, of the Standard Statistics Company, has made some illuminating computations as to the ratio of dividends to net income. He found that in 1927 a large group of leading industrial concerns distributed net income somewhat as follows:

10 per cent. consumed by fixed charges.

10 per cent. consumed by preferred dividends.

55 per cent. consumed by common dividends.

5 per cent. consumed by miscellaneous charges and adjustments.

20 per cent. theoretically available for surplus.

by MERRYLE STANLEY RUKEYSER

Mr. Sloan, in presenting similar data for 1926, said that the earlier year was more typical. The 1926 distribution was as follows:

10 per cent. consumed by fixed charges.

10 per cent. consumed by preferred dividends.

45 per cent. consumed by common dividends.

5 per cent. consumed by miscellaneous charges and adjustments.

30 per cent. theoretically available for surplus.

Mr. Sloan concluded that in times of business depression when net profits are shrinking, common dividends in lines of business which have resorted less generously to the bond and preferred stock markets are, on the average, the more likely to be maintained.

Sometimes individual companies have reversed their dividend policy. Before it came under its present capable management, the National Lead Company, by way of illustration, used to pay out virtually all available earnings as dividends in peak years and then would suspend dividends in slack years. This policy gave insiders an opportunity to exploit the rank and file of stockholders through market rigging based on advance knowledge of dividend prospects. Under the present excellent management, which regards itself as trustees for the stockholders, the policy is to pay a regular dividend which can be maintained during depression as well as in time of prosperity. The United States Steel Corporation and the Pennsylvania Railroad also pursue this conservative dividend policy. Edward J. Cornish, the president of the National Lead Company, recently reduced his own salary, but paid out the regular dividend to stockholders.

Many companies, including the National Lead Company, pay out additional or extra dividends at the discretion of directors in especially prosperous years. Though this practice is eminently sound from the viewpoint of the individual corporation, it is somewhat harmful to the general economic situation. It tends to promote economic instability by exaggerating purchasing power at the peak of prosperity and flattening it out at the trough of depression.

Corporate directors can help to stabilize general business by withholding some excess profits when business is good and by drawing on such accumulated reserves and disbursing them to

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proved by adversity

the credit union withstands the overwhelming flood of depression!

"extraordinary if the brotherhood of man is good business!"

by ROY F. BERGENGREN
Executive Secretary
Credit Union
National Extension Bureau

THE business cycle with its alternating periods of feasting and of famine is an established fact. It seems to be a fact, also, that when times are good we forget, quite quickly, how things were when times were bad. It's somewhat like the peculiar psychology with which we enter a war. We "give until it hurts;" we fight "one last war to end war;" we promise all sorts of things to departing soldiers; we proclaim lofty ideals which will result in a warless world when this particular war has been concluded successfully. When the war is over we undergo an automatic process of spiritual back-sliding. Forgotten are all the high purposes; lost again are the new found ideals; abandoned as so much clap-trap, the notions of a warless world!

So, when the current depression is over (at a time not to be too long deferred) we shall quickly obliterate from our memories the unpleasant thoughts of the bread line. We shall, because we are so very human, be much inclined to forget every lesson the hard experience of the depression has taught us. If we do, the depression will have failed to supply us with the one compensating thing it has to offer—the experience on which we might predicate an intelligent effort to prevent the next depression.

The credit union (subsequently defined herein) is much interested—very personally interested—in the economic problems involved in a period of hard times. Credit unions, from their very nature, are composed of the sort of folks who, unless adequately prepared, suffer most when a period of depression arrives. I have been and am in quite intimate contact with over a thousand credit unions, spread throughout the thirty-two states which now have credit union laws. From this contact during the period of great economic distress, some notions have gradually emerged having to do primarily, of course, with the capacity of the credit union to withstand adversity, along with a few other notions as to hard times as an economic manifestation.

It is not within the scope of this article to attempt a diagnosis of hard times. Too many remedies (patent and otherwise) have already been suggested, designed to prevent a recurrence of the malady. Many people are writing gravely and with the voice of authority as to "the way out" whose suggestions may, in the end, prove about as valuable as their prophetic utterances of early 1930, that "the bottom of the depression has been reached and the early spring of 1930 will witness a strong revival", etc., etc., etc.

How fortunate that no liability attaches to false prophecy!

Nor is there any purpose in this article to Pollyanna, unduly. Much of the reasoning of the past year has been of about the same consistency as that of the gentleman with a boil on his neck, who would cure it with a clean collar.

Possibly the greatest good which will come out of the depression will be a clearer realization of the fact that we in the United States are not immune to the economic difficulties which have so bedeviled Europe since the war; possibly it is well for us to broaden our vision that we may the better appreciate how our neighbor's plight affects our own. It is no longer either patriotic or intelligent to attempt either political or economic isolation. I recall a feather bed in which I slept when a boy. On a cold winter night one could snuggle down in it; it would envelop one and he would be cozy and warm, however cold the room might become after

Mother had heartlessly opened the window to the bitter winter night. But one paid the next morning, when one had to get up and found the world cold and drear and that life is no perpetual feather bed. Possibly we were, before the depression, warm and comfortable in our national feather bed and indifferent to the unhappy fact that in England and in other parts of the world times were hard and difficult. We can better understand the English dole when millions of folks are out of work at home.

Whether we would have it so or not, the world has moved, bag and baggage, into an apartment house! Our neighbor's distress may well make our own national life uncomfortable; his rows may easily make our own apartment so untenantable that we must join in the row in order to restore peace to the block. The last such row cost thirty-seven million human casualties!

For many generations yet to come statesmen, yet unborn, are going to try to argue against the inevitabilities incidental to participating naturally in the development of a civilization which scoffs at distances. Sweeping back the advancing tide was an altogether more rational proceeding. So many of us forget that there were more Frenchmen than Americans at the Battle of Yorktown (if we count the personnel of the French fleet) and that, the day after the surrender of Cornwallis, George Washington called attention in general orders to the fact that we owed our success at arms to the friendship of the King of France!

Now—what has all that to do with the credit union in times of industrial depression? The connection may be a bit indefinite but I'll attempt to indicate it. I must first detour long enough, however, to define "credit union."

A credit union is a common pool of funds by a group of workers or small farmers, who manage the pool (under the rules contained in the law and under state supervision), using it to create credit resources in times of credit necessity at fair rates of interest, for those who have contributed to the pool or who join it, with the earnings that result from the loans reverting to the members of the pool in dividends and surplus. There are credit union laws in thirty-two states with approximately twelve hundred or so credit unions, well scattered throughout these states. Their combined resources total about forty-five million dollars, their membership, a quarter of million or so, and they do an annual small loan business of about sixty-five million dollars. The first of these laws was enacted in Massachusetts twenty-two years ago; the credit union is an importation from Germany and there has been a successful development of cooperative credit in that country for approximately three quarters of a century, a development which has spread and manifested itself in almost every civilized country on the globe.

While the primary credit union manifestation abroad is rural, and while there are present indications of rapidly increasing interest in rural cooperative credit in the United States, better than ninety per cent. of all of the credit unions in the United States are urban credit unions of wage workers. They would, therefore, quite naturally feel the effects of sustained hard times. They are, in fact, right now being tried in a veritable fiery furnace.

How are they reacting to the process?

I have had to do, either directly or indirectly, with the organization of more than a thousand credit unions, approximately eight-five per cent. of all the co-operative credit societies now operating in the United States. These credit unions vary in size from an individual membership of less than fifty to a membershp of several thousand.

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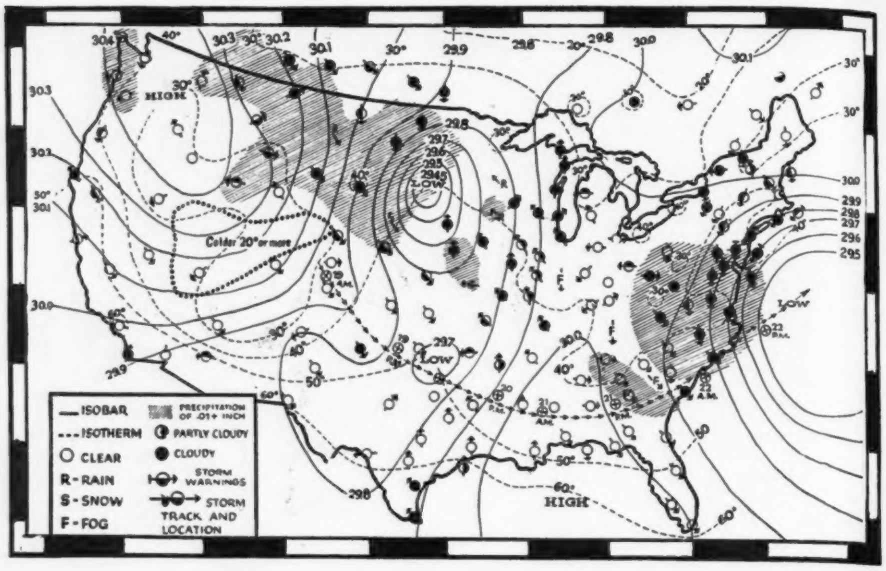

maps showing all weather variations are available at one cent a day from the United States Department of Agriculture

atmospheric variations may foreshadow credit fluctuations . . . credit storms may follow cyclones and good 'credit crops' may follow rain

by S. RAPHAEL
Associate Editor

"EVERYBODY talks about the weather but nobody does anything about it," said Mark Twain. This is an epigram and not to be taken too literally, but at the risk of appearing pedantic, we are going to take exception to the humorist's remark and insist that quite a lot of people are doing something very vital about the weather.

The Weather Bureau of the U. S. Department of Agriculture was formed more than forty years ago to "do something about the weather." Since that they have studied, plotted, graphed and charted the weather. More important still, they have made their observations available in the form of weather maps published daily, for which any individual may subscribe. These weather maps are also published in many newspapers and information emanating from the U. S. Weather Bureau is disseminated daily by radio.

This information is of great importance to every business man. It is well worth his while to obtain this authentic weather information daily, study it and digest it. This study will make clear to him certain fundamental laws governing weather conditions, of which he may have been ignorant. More important still, he may be able to see some practical applications for this data in his own work. Weather data will become as important an index to him as the various indices of economic trends and conditions which were discussed in an article on indices published in the preceding issue of CREDIT AND FINANCIAL MANAGEMENT.

The weather map is of comparatively recent date. In 1820 a German phycisist, Brandes, made the first weather chart from data gathered in a number of places. The first weather chart published in this country was made by Professor Elias Loomis of Yale, who charted the weather conditions on February 16, 1842. It is a far cry from those early pioneers to the highly organized Weather Bureau of the United States Department of Agriculture which maintains two hundred telegraphic observing stations in all parts of the country which send in their observations to the central office at Washington twice a day at 7:45 A. M. and 7:45 P. M. The sky is observed and the clouds classified, the barometer is read, the direction and velocity of the wind, the rainfall or snowfall are measured; the current temperature and extremes since the last reading, moisture content of the atmosphere and all other phenomena such as thunderstorms, fogs, smoke, halos, etc., are noted at these observation stations.

This data forms the basis on which the daily weather maps are constructed. On the map solid lines in blue ink called "isobars" are drawn through areas which have the same atmospheric pressure, a line being drawn for each tenth of an inch in variation. For example, the line marked 30.0 at each end passes through points where the barometer readings are exactly 30 inches. On one side of this line, the readings are higher than 30 inches and lines are drawn for each tenth of an inch increase until a center or crest is located which is marked "HIGH." Conversely, on the other side of the "30" line, readings are lower than 30 inches and a line is drawn for each tenth of an inch decrease until a center of depression, which is marked "LOW" is located.

Red lines called "isotherms" are drawn through points that have the same temperature, a line being drawn for each ten degrees. The direction of the wind at each station is indicated by an arrow which flies with the wind. The location of each reporting station is indicated on the map by a small circle, and various symbols used in these circles indicate whether the weather is clear, cloudy, rainy or snowy at each point. The tabular data on the map gives details of maximum and minimum temperatures, 24-hour temperature changes, wind velocities and amounts of precipitation during the preceding 24 hours. The text printed on the map gives a general forecast for the next 36 hours.

On what basis does the U. S. Weather Bureau make this prediction of the weather for the next 36 hours? The governing factor of weather forecasting

highs and lows may

is atmospheric or barometric pressure. A knowledge of the general laws of atmospheric pressure makes it possible to forecast storms and changes in temperature. Waves of low atmospheric pressure and high atmospheric pressure are constantly and successively drifting across the country from the West to the East. A glance at a series of U. S. Government weather maps will show this march of the "HIGHS and LOWS" across the face of the map.

These facts do not seem particularly impressive or pertinent until one learns that there is a very close relationship between atmospheric pressure and winds and storms. Air currents flow from regions of high pressure to regions of low pressure. "In the Northern Hemisphere," a pamphlet of the United States Weather Bureau tells us, "winds blow spirally inward, counter-clockwise toward and around the center of a LOW, while from the center of a HIGH they blow spirally outward in a direction similar to that of the hands of a clock. In advance of a LOW, therefore, the winds are easterly and southerly, and when the LOW has passed to the eastward, the winds shift to westerly and northwesterly." Take a piece of paper and a pencil and diagram that spiralling movement of the air-currents. It is one of the basic laws of weather.

obviously: a cyclone through an agricultural area at harvest time might seriously damage both credit and crops

"There is more or less regularity in the sequence of HIGHS and LOWS, LOWS following HIGHS and HIGHS following LOWS as a general rule. LOWS are usually preceded by rising temperature and accompanied by cloudiness and rain and snow, while the HIGHS are usually preceded by falling temperature and attended by fair weather . . .

"The LOWS charted on the weather maps are known as 'cyclones' and their area of influence occasionally exceeds 1,000 miles or more in diameter. Associated with these larger storms are secondary storms—tornadoes and thunderstorms."

"Most of the LOWS that affect weather conditions in the United States enter the country from the Canadian Northwest; some, however pass over the North Pacific States; others over the South Pacific States; some develop over the Rocky Mountain region; some over the Gulf States; a few off the South Atlantic coast; and quite a number, particularly in summer, over the Central States. In the summer time, a great majority of the LOWS first appear in the Canadian Northwest. Summer LOWS pursue, on the average, a more northerly course than those of the winter season and are also of less energy and of slower movement."

By charting the march of the HIGHS and LOWS across the country, the weather in a given locality is predictable 36 hours to 48 hours in advance. By considering the amount of change that is taking place in any area, one can forecast for the localities ahead of it whether the temperature change will be up or down, great or small.

That is what the Weather Bureau is doing about the weather—what can the business man, and more particularly the credit executive do about it? The credit manager knows that the economic prosperity of many localities in which the merchandise of his company is sold is dependent upon crop conditions. And what are crop conditions dependent upon? WEATHER, in large capital letters. By studying weather maps and weather conditions, the up-to-the-minute credit executive will be able

(*Continued on page* 43)

show highs and lows

the past writes the future clearly

"The fall in raw materials is now completed.

"By December of this year the value of industrial output should be twenty-five per cent. larger, at least, than it was in December, 1930.

"Profits will be maintained at satisfactory levels even at these lower prices . . . better this year than last.

"We have reached the turning point in bonds and it is reasonable to expect that the rise in bonds will continue from nine to twelve months."

by Dr. DAVID FRIDAY
Eminent Economist and Business Analyst

EVERY major business depression presents the economist and financier with two difficult problems. The first of these is to explain the causes of the debacle; and the second, to describe the process by which we are going to get out of it. It is always puzzling to see why a period characterized by large production, good profits, employment for everyone and business optimism, suddenly changes into a situation where men who are willing to work cannot get jobs, where profits are unsatisfactory, and where pessimism and gloom fill the industrial community. Every period of depression presents this enigma. The one in which we find ourselves at this moment has been particu-

larly puzzling for the reason that many of the signs which usually indicate that prosperity has bred a depression were absent in the spring and summer of 1929. Back in 1920 all the signs of a coming crisis had been in evidence; but this time the economic danger signals were lacking, for the most part. We know now that many of the most serious causes of this situation in which we find ourselves were not economic but political in their nature. They were largely fortuitous, and brought in their wake economic and financial consequences which constituted a major slump in business.

Now, after eighteen months of decline, we find ourselves at the bottom of the trough. Industrial production has fallen thirty-five per cent. from the peak which we reached in the summer of 1929, and factory payrolls are down in like degree. There is also a good deal of unemployment in the building trades, in mines, and on railroads. Now people are wondering how full prosperity can be restored. In fact, many persons are puzzled to see how real prosperity can return for a long time to come. Obviously, if labor is unemployed and is not receiving wages, the laborer and his family cannot buy goods. And if there is no one to buy goods how can demand revive? We have been told repeatedly, especially by bankers, that the period before 1929 was characterized by a great over-expansion of facilities and by overproduction. If this is true, they say that industry will not revive through the building of new factories and plants. It is easy to make a perfectly logical argument for the proposition that we are caught here in a situation which will tend to perpetuate itself almost indefinitely. Let us console ourselves, however, with the historical fact that the same arguments have been brought forth in every major depression, and that we have never failed to rise to new high levels of production within a relatively short period after these have passed. It may be some comfort, too, to remind oneself that often the machinery of logic works just as perfectly when it is going in the wrong direction as when it is headed in the right.

What are the fundamental readjustments which must occur in order to bring us from depression to prosperity, to replace hard times with good? They are primarily three: The first takes place in the field of prices; the second, in costs of production; and the third is in interest rates, especially those on long-time funds which are procured through the sale of mortgages, bonds and other securities. If we trace the readjustments that arise inevitably when demand has fallen off and unemployment has appeared, whatever the cause may be, we shall be able to understand our present situation a little more clearly; and we shall be in a position to chart our course somewhat more confidently for these months of revival which are ahead of us.

In the field of prices, the slackening of demand which ushers in business recession brings about first of all a fall in raw materials. In fact, the present decline of business began largely with a buyers' strike in just these commodities. For some years previous to the boom of 1929, there had been great activity in the organization and maintenance of price pools. Rubber was one of the first. There were also pools in copper, coffee, sugar, silk, wool, tin, wheat and cotton. Besides these there were minor ones. The prices which these organizations tried to maintain were stimulating production beyond the volume which demand would absorb at such high levels. Presently, buyers here and abroad grew distrustful and suspended their purchases or postponed them. They expected a fall later, and they were right.

The raw material group of commodities has fallen twenty-six per cent. during the last eighteen months. If those items be singled out in which stabilization pools were operating, the decline is around fifty per cent. The fall in raw materials is now completed. Most of them are down to a point where their producers can realize hardly any profits. In many cases they are being produced at a loss. This always happens to basic material in times of depression, and when they get down to this level the first stage of the readjustment is completed. In 1920, the raw materials group in the Bureau of Labor Statistics index number fell from 166 to 81; it reached that point in the summer of 1921. From that time on business revived gradually, and by the spring of 1922 production had risen twenty-five per cent. from its lowest point.

This downward trend of prices is accompanied by a similar one in finished products at wholesale. These fall more slowly than the first group. Ten years ago they continued their decline for six months after raw materials had turned up and were advancing slowly. We are still in this downward readjustment for manufactured products. They have already fallen eighteen per cent. and the decline will probably continue until late spring at a reduced pace.

Finally, the prices of goods at retail decline. These fall somewhat less than either of the other two groups and they usually reach their bottom still later. We have been in the process of readjusting these prices downward, and so lowering the cost of living. When this has been accomplished, the money income of the people,—even though it is reduced, —will buy more product than it did during the early stages of the depression when people had already found their income curtailed by unemployment, while the cost of living had fallen but little. In those earlier months of a depression this disparity between incomes and prices leads to a sharp curtailment in purchases; it is accentuated by the fear of unemployment and uncertainty generally, which leads even those whose incomes have not been reduced to spend less and save more.

It should be noted in passing that the money incomes of the people as a whole do not fall as much as the decline in production and in factory payrolls might lead us to believe. Large parts of the population do not have their income reduced at all. Thus, dividends are reduced relatively little in most periods of depression. In 1930 they have been practically as large as the previous year; and even in 1931 they will be not more than ten per cent. under the peak figures of 1929. The employees of governments, federal, state and local, including the teachers in public schools and colleges, suffer no reduction in income. Pensions and similar payments are the same. The payments of annuities, matured endowments and death claims by life insurance companies are not affected by business slumps. Interest on bonds and mortgages remains stable. Rents are but slightly reduced, at least in the first year of depression. It is doubtful whether the money income of the people, as distinguished from corporations, is off as much as fifteen per cent., even in the worst periods such as we have experienced during the last three months.

As has already been noted, purchases are off more than this during the earlier months of a depression, because of the more strenuous efforts which people make to save out of such income as they have. But when prices have fallen and

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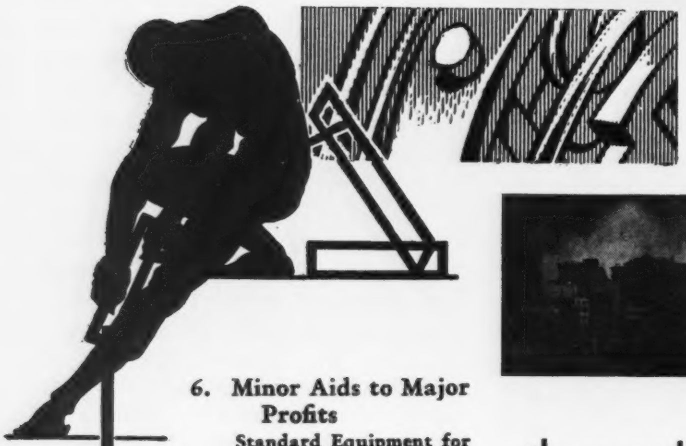


protect the

the record of the past can no more be rewritten than it can be erased . . . nor can money replace records destroyed

6. **Minor Aids to Major Profits**
   - Standard Equipment for Clerks
   - Standardized Pencils, Erasers, etc.
   - Portable Typewriters
   - Desk Racks
   - Letter Trays
   - Stapling Devices
   - Rubber Stamps and Racks
5. **Correspondence**
   - Addressing Machines
   - Dictating Machines
   - Duplicating Equipment
   - Envelope Sealers
   - Letter Openers
   - Permit Machines
   - Pre-Cancelled Stamp Machines
   - Stamp Affixers
   - Time Stamps
   - Typewriters
4. **Records — Protection**
   - Insulated Cabinets
   - Insulated Files
   - Insulated Safes
   - Vaults — Portable and Permanent
3. **Records — Maintenance**
   - Filing Cabinets
   - Filing Systems
   - Visible Indexes
   - Special Equipment
   - Records—Maintenance
2. **The Accounting Department**
   - Adding Machines
   - Billing Machines
   - Bookkeeping Machines
   - Calculating Machines
   - Check Protectors
   - Record Systems
1. **Planning and Arrangement**
   - Partitioning and Layout
   - Types of Desks
   - Chairs for Efficiency
   - Filing Equipment that saves space
   - Counters—double duty

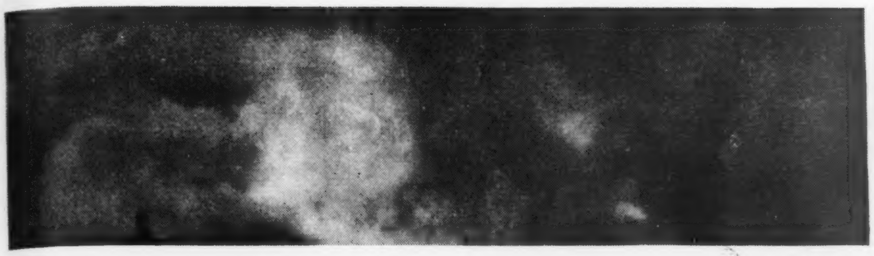
EACH year the percentage of workers engaged in clerical occupations becomes larger. Without records these workers would have no jobs. Without records, business could not be efficiently carried on. Imagine, for instance, operating a large manufacturing industry, a chain of stores, a business of any magnitude without records to show where you were going and what it cost you to get there. Everyone admits that records are valuable. Yet management, in far too many instances, still treats these valuable charts of the business course as mere scraps of paper. Millions to collect; not a penny to protect is a paraphrase that states (in exaggerated form) an all too typical attitude toward the vitally necessary matter of record protection.

It is an exaggerated statement because executives permit their records to remain unguarded largely through ignorance; through a false sense of security into which they have been lulled by such terms as "fireproof," "sprinklers," "insurance coverage." Not that all of these measures of protection against fire loss are not excellent. They most decidedly are. But popular usage has extended the real meaning of these words into a sort of blanket under which we all sleep comfortably murmuring, "there are no fire hazards."

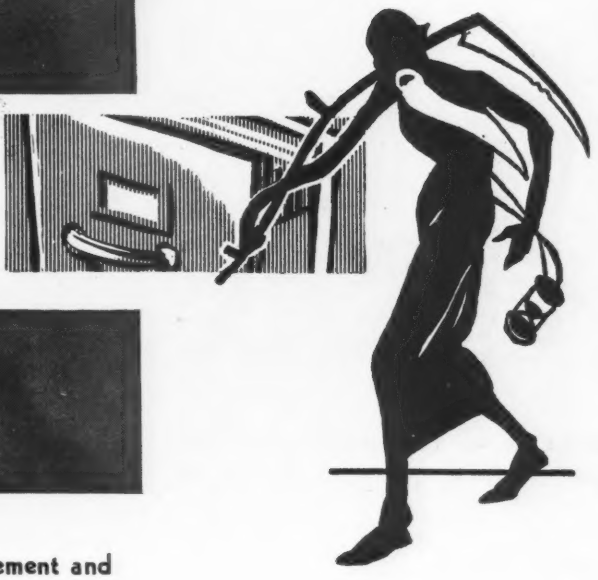
This, in face of the biggest yearly bonfire in the world. Science has eliminated the Black Plague. But nearly four decades of education and work have not checked the ravages of the Red Plague. A fire a minute. Every minute of the day and night something is being destroyed by fire in the United States. Our annual bill for fire loss exceeds $500,000,000! The probabilities are that this will continue mounting, as it has in the past decade, as our cities become larger and more densely built up.

It would be interesting to know the exact dollars and cents effect upon business of the destroyed records that form part of our huge yearly ash-heap dedicated to the god of carelessness. Unfortunately a wide range of precise statistics is not available in this field. This is probably due to three major reasons: (1) those who lose their records are seldom willing to advertise their loss, not wishing to appear careless and perhaps fearing the effect upon resumption of their business; (2) the economic losses occasioned by destroyed records are not always immediately apparent, sometimes being buried in the affairs of a business; (3) there is no interested body to which an exact report of record loss must be made in the way that fire loss is reported to insurance companies.

However, it hardly requires a lengthy statistical statement to convince any thinking executive that loss of records could prove mighty expensive. Companies who have experienced such



irreplaceable



fourth in a series of six articles on executive office management and modernized administration . . . . by H. P. PRESTON

losses have been affected in four ways. They have been unable to collect fire insurance in full because they lacked records necessary to prove loss. Accounts Receivable have been difficult to collect. Sometimes not even 50 per cent. of outstanding bills is collected. Claimants, no matter if unjust or unscrupulous, must be given the benefit of the doubt when records are lacking for cleancut, definite proof of transactions. The absence of miscellaneous records relating to costs, purchasing, sales, etc., seriously interferes with the resumption of business.

These facts are known. Further, industrial research has shown that record loss may seriously affect credit rating. A survey of one hundred business fires covering a period of seven years and including a wide variety of lines of industry, showed that the major loss factor was *record loss*. It showed that more than 40 per cent. of the companies did not resume business. More than 30 per cent. had their credit ratings seriously affected. A few examples of serious under-insurance were revealed by the survey, but record loss was the dominant factor that prevented resumption of business or seriously crippled efforts towards re-organization. The Record Protection Committee of the National Fire Prevention Association believes that such assets as records constitute a far more serious loss than physical property because buildings, machinery and stocks of merchandise can be replaced, whereas records and documents are often irreplaceable or extremely costly to duplicate.

Buildings, machinery, stocks of merchandise can be, and usually are, adequately covered by standard fire insurance. Such insurance does not protect records. The standard paragraph on "Uninsurable and Excepted Property" makes this very clear. Furthermore, the insured is required to "produce for the examination all books of account, bills, invoices, and other vouchers, or certified copies thereof, if originals be lost. . . ."

Proof of loss depends upon records. To carry insurance and to leave the records necessary to collect that insurance inadequately protected is a short sighted policy.

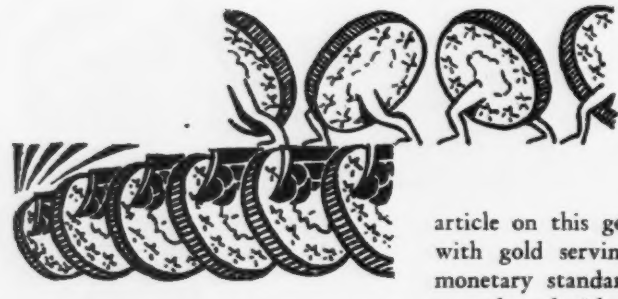
Some reasons for what must be called carelessness in the matter of record protection have been cited. I believe, however, that it is difficult to visualize fire until we experience it. Because it is a most unpleasant matter we tend to avoid thinking of it in relation to our own affairs. We think of a fire in the next block but we are amazed when it strikes home. Furthermore, we are unable to see the risks surrounding us. We cannot adequately analyze our own fire hazards. We depend on a law of averages which is really against us. The trained eye of a specialist sees the actual hazards present. He is able to indicate the relative amount of risk surrounding any given records. Because of experience and knowledge, he is able to more accurately gauge the "fire probability" in any particular case.

The law of averages indicates that every building in the United States is due for a fire once in fifty years. In New York City, and other large metropolitan areas, the probability is somewhat less than twenty-five years. Business fires comprise more than two thirds of all fires, the losses from this cause often exceeding the loss through business failures in the same period.

These facts might give us pause when we rely on fireproof buildings to protect us from the scourge of flame. For "fireproof" is only a relative term. The actual construction of a building may be of fire resistant materials, but its interior trim and its contents may be inflammable. There have been serious fires in fireproof buildings. The shell —or building—often remains, but its contents are frequently destroyed. Buildings are fire resistant—not fireproof. To indicate a type of hidden hazard which few laymen will notice, a well known "fireproof" building of excellent construction has corridors floored with a composition containing a high percentage of oil. This inflammable flooring was enough of a risk to make a question about insurance rates.

(*Continued on page* 47)

speed is gold



without recourse to expansion of the ratio of credit to gold, credit dollars can literally be multiplied by the increase in the speed of credit turnover

second of two articles on the relationship of gold to credit

BEFORE discussing the specific relationship of gold to credit, it is well to consider the world's gold supply upon which credit is based. As nearly as it can be estimated, there are 525,000,000 ounces of gold in the world, or an amount equal to approximately $11,000,000,000. Of this total amount, the United States has over four billion, France over two billion and England around seven hundred million dollars worth. This leaves approximately four billion dollars worth of gold for the rest of the world.

It is estimated that there are approximately 1,906,000,000 people in the world. Thus the United States with only 6½ per cent. of the world's population owns 40 per cent. of the world's gold. This total supply of course is increased each year by the amount of gold that is mined but the total amount produced does not by any means find its way into the treasuries of the world to serve as a monetary standard and base.

During the last five years, the annual gold production has been around $400,000,000, but only about $250,000,000, of this amount has served to replenish the Treasuries of the world. Around seventy-five millions on the average have been used each year for jewelry, ornamentation and other commercial purposes, such as for dentistry. Approximately $85,000,000 worth of gold has gone to India yearly to be hoarded there by individuals, much the same as gold and silver was hoarded by the Romans, as pointed out in the first article on this gold study. Naturally, with gold serving as a basis for our monetary standard and for credit, the annual replenishment through production must have its effect upon credit. This fact will be taken up later in the article.

Gold is really nothing more than a concrete symbolization of the people's faith and confidence in the currency of their country.

The point of departure, in analyzing gold's relationship to credit, is the gold dollar. When we say "dollar" we really mean the gold dollar, although the currency we use may be an actual silver dollar or a dollar bill. It has been said that not one person in a thousand can answer the question, "What is a dollar?" A well known economist stated that he put this question to forty students in his senior class in economics and not one was able to answer it.

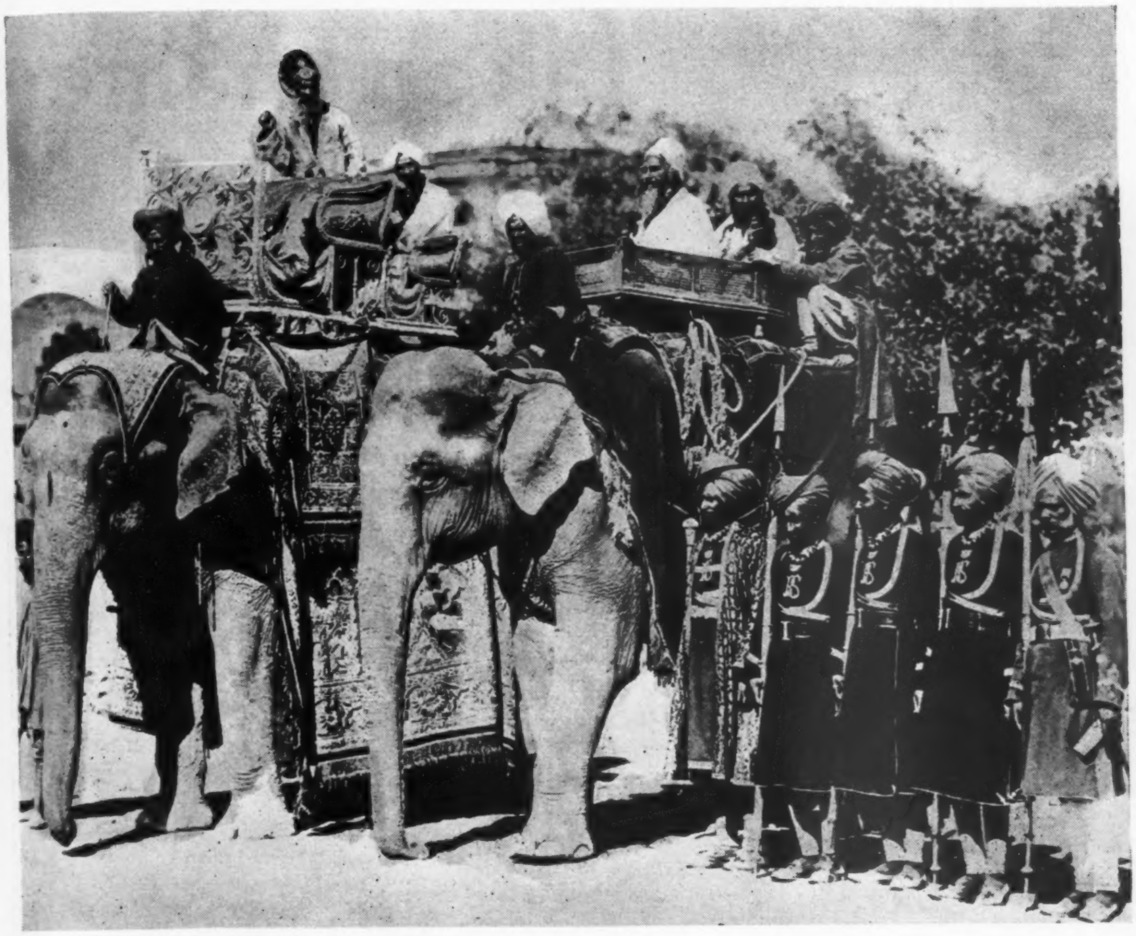
The dollar is simply our unit, or measure of value, and by an act of Congress consists of 23.22 grains of pure gold. So, whenever we say that any commodity is worth a dollar, we mean that it can be traded for 23.22 grains of gold, which represents this commodity's value in money. Therefore, a dollar in the last analysis does not mean a silver cartwheel or a greenback, but 23.22 grains of pure gold. It is very specific and concrete—merely a means or symbol that we have mutually agreed upon as a measurement for our wages, incomes and wealth and as a designation of the value of things we buy and sell.

But around this simple and basic unit of the gold dollar has been waged the bitterest and most complex economic, financial, and political discussions and wars. We cannot, in this study, be concerned with the uses and functions of money and why gold has finally been settled upon as our monetary standard and basis. Any one wishing to pursue this angle of study must delve into our economic textbooks and into the writings of our leading economic thinkers. We must accept the fact that gold has survived as the most effective basis for our currency and exchange system and proceed from this point to analyze its relationship to credit.

We have already seen how gold is made into money and how it serves as a basis for measuring earnings and values. Obviously there is not enough gold to be used in our daily exchange of moneys nor could our complex economic and business system function at all if gold had to serve as an across-the-counter medium for every transaction. The absolute or orthodox gold standard such as we have in this country means that all silver and paper money is redeemable in gold. As long as our people's confidence in the gold standard is maintained intact, they are not going to demand that their silver and bills be redeemed by gold. Long experience has proved that it is entirely unnecessary to maintain in our Treasury and Federal Reserve System, enough gold to redeem all of the currency in circulation. This experience has also proved to the government that it should have gold on hand equal to the value of between 30 and 40 per cent. of the currency in circulation. The requirement of the United States is that they have a 40 per cent. reserve of gold against the currency in circulation. Of course, if everyone asked to have all of their money redeemed in gold at once, it positively could not be done. This extra 60 per cent. represents the margin of confidence that our people have in the solvency, ability and strength of the government and the country.

But the stretching and elasticity of gold goes much, very much further, than this ratio of a gold reserve equal to 40 per cent. of the currency in circulation. We are now at the point where gold is transformed into credit.

The banking machinery of the coun-



$85,000,000 in gold goes each year to India to be hoarded by individuals

try is absolutely indispensable to this process. The Treasury and the Federal Reserve Banks are the custodians of our gold supply. Upon the basis of the gold held in the Treasury our currency is issued and thus we have our silver coins and silver and gold certificates or bills. The Federal Reserve Banks also issue Federal Reserve notes in virtually the same way that Treasury notes are issued. In both cases the issuance of currency is governed strictly by the gold ratio.

The banks of the country may also issue their own bills or currency certificates but the issuance of these certificates is directly co-ordinated with the Treasury and the Federal Reserve System. Each of these banks is required to keep a percentage of the money that it owes, that is the money received from its depositors, with the central bank. In most cases this requirement is to keep from 10 to 15 per cent. of this money in the central bank.

Now we have the direct line of the transformation of gold into credit. For every one dollar in gold that the central bank holds, it may issue $2.50 in credit to a member or lesser bank which in turn is allowed to extend $25.00 in credit to a customer and still be within the law and still abide by the gold standard which implies that every one dollar in paper or silver may be redeemed for a gold dollar. From this analysis we see that we have a credit elasticity that will stretch $1.00 of gold into $25.00 of credit, or a 25 to 1 ratio.

In actual practice, however, the $1.00 of gold is only stretched into $14.00 of credit. The system by which this stretching takes place is very elaborate and intricate. Yet whenever we stretch this credit elasticity to $16 or $17.00, there is alarm and talk about credit inflation and dangers. We discern the simple device of allowing $1.00 to be stretched into $25.00 of credit as a great balance wheel for maintaining public confidence. As long as the credit limit does not go above $14.00 or $15.00, there is the strong feeling that we are well within our credit limits, although our credit structure really allows us a $25.00 limit. Examine this structure from any angle that you wish and you will see how surely and cleverly it is designed to influence and affect public confidence. Our credit is far better than the credit of many nations who do not stretch their credit elasticity above a ratio of 1 to 8, or 1 to 10, while we stretch ours from 1 to 14.

Another very important question now arises. As the volume of business increases, the volume of credit must also increase. Supposing at any given time, that we have sufficient credit upon which to transact business efficiently. This presupposes that the supply and ratio of gold is also right. Now suppose that the volume of business increases much faster than the volume of gold. In order to transact the business efficiently there must be a corresponding increase in the volume of credit, but as gold does not increase in ratio as fast as the fiscal volume of business, how is credit to be stretched beyond the $14, $15 or $17.00 point, without causing extremely serious business problems? It is this situation which causes many thinkers to say that a gold famine and a gold shortage will bring on an economic catastrophe.

It is estimated that over the past ten years the world's commodities have been increasing at about 3 per cent. a year,

(*Continued on page* 53)

taken names and given numbers

The taking of too many corporate names leads to the giving of suitable numbers in Atlanta

OBTAINING goods under a false company name is a common form of commercial fraud and the methods of those who practice this kind of dishonesty are old and time-worn. Ordinarily, there is very little novel in an operation of this kind. There is, however, in the records of the Fraud Prevention Department of the National Association of Credit Men a story worth the telling of a group of men who, by the scope rather than the originality of their activities, raised this kind of fraud to the dignity of a "racket."

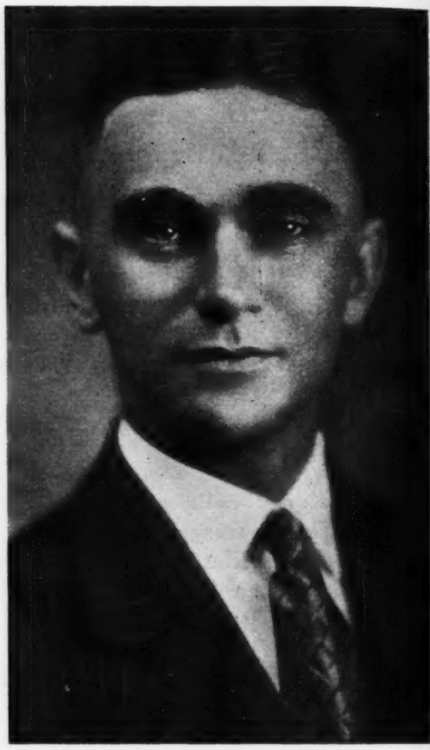
For a period of approximately two years, from 1928 to 1930, cases of fraud were reported to the Fraud Investigation Department from the small towns of North Carolina on the average of two a week. Most of them were strikingly similar. The essentials in each case were these: One or two men would open a store in a small town. They would take the name of a leading merchant of the town, modify it slightly (as by adding the word "trading" before "company") and do business under that misleading name. The next step was to order goods from the manufacturers and jobbers with which the bona fide firm did business. In most cases, the merchandise ordered would be obtained, since the similarity in names and the absence of street addresses in small towns would allay any suspicion on the part of the creditor concern. The merchandise when received would be shipped immediately to other points and there realized upon.

The premises in which these fraudulent companies operated were sometimes sadly out of keeping with their high-sounding names. One concern operated in what had formerly been a hot-dog stand with a six-foot frontage, sandwiched in between two large buildings,—another in a tumble-down building with half the roof missing. These concerns did not go in for imposing store-fronts. That was not their game. The only blind they needed was a misleading name and an address.

The N. A. C. M. Fraud Prevention Department sensed that a racket was developing and took active measures to curb it. Investigator W. D. Cawley, Jr., was placed in North Carolina by the department with instructions to eliminate this group of credit racketeers. He worked in close co-operation with Post Office inspectors, agents of the Bureau of Investigation of the Department of Justice and with the State authorities. He received particularly effective co-operation from Post Office Inspector W. D. Kahn.

The results obtained by Inspector Cawley and his assistants were rather disappointing at first. Local authorities gave only half-hearted co-operation to what they considered outside interference. In several clear-cut cases, defendants were unexpectedly acquitted. In other cases where convictions were obtained, the defendants, backed by local sympathy, were able to obtain probation.

The Fraud Department representatives continued to investigate carefully every case reported to them. As the total number of fraud cases brought into court mounted, public opinion grew conscious that a racket was flourishing in North Carolina and that full co-operation should be given in the drive against it. Judges became increasingly severe and the sentences imposed heavier.



W. D. Cawley, Jr., N. A. C. M. Investigator

Within two years' time, the typical sentence increased from three months to three years. An indictment on evidence gathered by N. A. C. M. investigators amounted to practically a one-way ticket to Atlanta. The number of cases reported to N. A. C. M. headquarters for investigation grew fewer and fewer and finally died out altogether. This tree of credit evil had been pulled up by the roots.

Now let's get down to actual cases. Let's mention a few names, dates and places. Let's pick out a few cases which

This is the ramshackle frame building with the roof half off, the other half full of holes through which the rain dripped!

sum up all the elements of the similar name fraud practiced in North Carolina.

A typical case, run down by Investigator Cawley, was the case of the Selma Clothing Company in Selma, North Carolina. Ellis Nassar Hatem, who had received suspended sentences for participation in two similar fraud schemes two years previous and who was known to be one of the top-notchers in the racket, was the leading spirit of this enterprise. Albert Z. Karem, Louis H. Curry and Lacy B. McCormick, who claimed to be a salesman, were the other defendants.

On April 10, 1928, Hatem and his his associates opened the Selma Clothing Company only a short distance from the Selma Clothing and Shoe Company, which was a concern with a good credit standing and reputation. Here is the way they went about building up their reputation in this small town. McCormick got a job as a salesman for a raincoat jobbing concern in the Middle West. He appeared at the Selma express office one morning and called for his sample cases which had been shipped there by express. Apparently by chance but in reality by plan, Karem appeared at the express office while McCormick was there, to call for some shipments of merchandise for the bogus company.

McCormick had already established himself in the confidence of the express agent and his clerk. He introduced Karem as a prosperous and honorable merchant. In the presence of the agent and the clerk, McCormick sold Karem a bill of goods from his samples. In reality he was "selling a bill of goods" to the agent and his clerk. The play-acting had the desired effect. Karem was accepted as a reputable merchant and thereafter goods was delivered to the Selma Clothing Co. without question.

Credit managers of the concerns to which the Selma Clothing Company sent orders proved to be more perspicacious than the express company employees. Several of them wrote to the bona fide concern, the Selma Clothing & Shoe Company, asking if the word "Shoe" had been dropped from the firm name. When they received a reply to the contrary, the Fraud Prevention Department was notified.

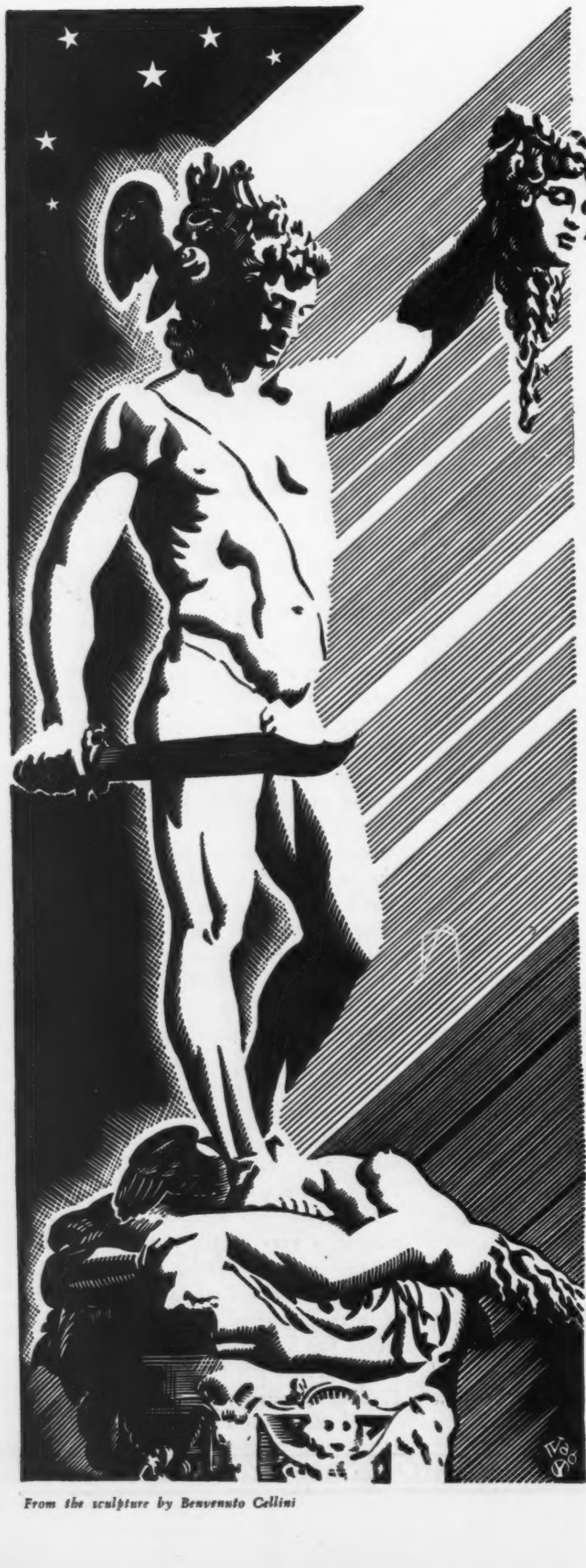
Credit investigators quickly determined that Hatem and his companions were trying to exploit the good credit rating of the older concern and obtained sufficient evidence to warrant indictments. This evidence, presented to the Federal grand jury by a post office inspector, resulted in the indictment of four men on charges of fraudulent use of the mails, and conspiracy to use the mails to defraud.

Hatem, McCormick and Karem were found guilty before Judge I. M. Meekins at Raleigh, N. C. Hatem was sentenced to one year and six months in the Federal Penitentiary at Atlanta, and was fined $500. He was also given the same fine and the same prison sentence on each of the former cases against him (Rocky Mount Clothing Co. case and the Capitol Clothing Co. case) but Judge Meekins allowed him to serve the three prison sentences concurrently. McCormick was given a similar sentence of one year and six months at Atlanta and a fine of $500. Karem, already serving a three year sentence, was fined $1. Curry was acquitted.

Simultaneously with the Selma fraud scheme, a very similar game was being worked in Seven Springs, another small town in North Carolina. A number of manufacturers received unsolicited orders for merchandise from a concern which styled itself the Seven Springs Trading Company. The company name

(*Continued on page* 49)

cementing



From the sculpture by Benvenuto Cellini

IN 1892 when the Portland Cement industry was in its infancy and the use of cement in construction projects was not so extensive as at present, the Sandusky Portland Cement Company was formed at Sandusky, Ohio. Its original plant was at Baybridge, Ohio. It had a production of 200 barrels a day, a large output for that period.

Because of prejudice against domestic made cement, it was quite difficult to sell this product for use in general construction work. The Portland Cement Association, organized to promote the use of cement and to make the product better known, broke down this prejudice in a very effective way. The need for cement grew rapidly and in less than forty years, the Portland Cement industry has grown to be one of America's leading manufactures. There are only a few construction products that do not require the use of Portland Cement, which by its use insures permanency.

The Sandusky Portland Cement Company later changed its name to the Medusa Portland Cement Company, in order to more closely identify itself with its product, which is sold under the trade name of "Medusa" cement. As the demand for cement grew, the Company added new plants and new units until it now has an annual production capacity of 10,000,000 barrels, including the manufacture of White Waterproofed Portland Cement, Gray Waterproofed Portland Cement, Waterproofing Powder and Paste, Portland Cement Paint and masonry cement.

This Company has functioned since its organization on the basis of strict economy and efficiency in every operation, from the time the materials used in making the cement are taken from the earth, until the finished product is sold and paid for.

In our credit department procedure we adhere as closely as possible to the principle of the maximum of results with the minimum of expense. It may be argued with fairness that a concern, doing a maximum volume of business, should expect a credit loss of possibly 1/10 of 1 per cent. Our attitude, however, has been that waste should be eliminated wherever possible. Operating on this theory, it has been our endeavor to reduce as nearly as possible bad debt losses. We feel that by proper co-operation with our customers and by familiarizing ourselves with conditions in the industry as a whole, we can be successful in this direction.

Each salesman's territory is practically a separate organization, in that the salesman has that particular territory under his direct management. He is supervised from the General Office, and must furnish to the General Office a clear picture of the sales and credit possibilities in his territory. Whenever the salesman feels that an account is about ready to buy, he furnishes the Credit Department the customary credit report on forms provided for that purpose. These forms are promptly sent to the Credit Department so that we may be in a position to determine the financial standing of the prospective customer. Our salesmen are obliged to know not only the sales possibilities, but also the credit possibilities of their territories.

business

the Credit Manager authorized to render final credit decisions and personal attention from a sales angle to every active account, pays highest dividends in business held and losses reduced

by E. B. ODENKIRK, Credit Manager,
Medusa Portland Cement Company

CREDIT RATING				MEDUSA PORTLAND CEMENT CO., CLEVELAND, OHIO										REM-RAND, CLEVELAND, O.
YEAR	DUN	BRAD.	LUMB.	REMARKS	INV. DATE	DAYS SLOW	INV. DATE	DAYS SLOW	INV. DATE	DAYS SLOW	INV. DATE	DAYS SLOW	INV. DATE	DAYS SLOW
1st SALE														
CLOSED														
TERMS														

STREET AND NUMBER — R.P. 3621 ★ — GREEN=FOLLOW-UP

0	1	2	3	4	5	6	7	8	9		MISCEL.	S.D.&C.	S W O	FILE	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC

Colored tabs inserted at the bottom show: black and white, "credit information on file"; blue, "discount our bills but slow on others"; red, "slow, sold on sight draft or cash"; pink, "refer to credit file"; green (at the right) "follow up"; salmon, "no longer active".

We have found the Credit Interchange service invaluable in checking the paying habits of our accounts and we are at the present time members of the local Association of Credit Men, the Credit Interchange Bureau, and the Building Material Manufacturers Credit Group of the National Association of Credit Men, which furnishes us with monthly information on accounts in which we are interested. We are firm believers in proper Group Credit Control and it has been our endeavor to foster a movement in this direction. It is our belief that a properly organized credit system will come ultimately through Group Credit Control. There has been an awakened interest in this movement, and we feel that within a very short time, a very noticeable development will have taken place in group activities.

We feel that through co-operation in this movement the credit grantors of this company are becoming "group minded", and that in addition, more consideration is being given to group fundamentals than ever before. Group activity should, if properly organized, contribute immeasurably to the elimination of our enormous bad debt losses, stabilizing to a minimum speculation in credit.

Group Credit Control can be made quite effective and can be of material assistance to credit executives in the administration of their respective departments. When one considers that the bad debt loss for 1930 would have employed one million men at five dollars a day for approximately one year, it is easily realized that there is important work to be done in group activities. We believe sincerely that the National Association of Credit Men is the logical place for such group activities to develop and we are particularly pleased to observe the steady growth during the past two years of Group Credit Control.

A "Kardex Rand" visible record card is made out for each new account which is placed on our books. The District Office, through which an order from a new account comes, sends us a form authorizing shipment to the new account. This form is sent to us in duplicate, the original carrying the established credit rating with the signature of the person authorized in the

Credit Department to establish these ratings. The duplicate is retained and placed in the customer's credit file.

The individual shipments to a customer are posted on the reverse side of the visible record, showing the date of purchase, the mill from which shipment is made, the amount of the invoice and the date on which payment is received.

When the invoice is discounted in accordance with our terms, the payment date is entered in blue ink. When not discounted, it is entered in red ink. On the front of the card, all invoices not paid in accordance with our terms, are entered with the invoice date and the number of days payment is delayed, so that at a moment's notice, we can determine the average number of days this customer has been slow in making payments to us. Space is also provided for mercantile credit ratings and the date of the first sale and terms.

The visible card also carries a black and white tab, indicating that we have in our credit file information that has been accumulated through regular investigations. Because of the fact that a very liberal discount is allowed on Portland Cement, we find that in many cases customers will avail themselves of discount on our products, but permit other obligations to remain unpaid. It is important for us to check up on this type of customer, so their cards carry a blue tab. All accounts that are either slow, sold on sight draft, bill of lading or cash basis, are signaled by the use of a red tab. The use of a pink tab on our cards compels us, whenever an account comes up for credit approval, to refer to the credit file and thoroughly check its past performance and present credit standing before further orders are approved.

In the lower right hand corner of the front of the visible record card is a series of boxes labeled with the names of the months. If a customer buys from us on July 1st, 1930, we enter this sale in the space provided for the date of the first sale and in the box labeled "July", we put the figure "1". Then on July 1st of each year, this customer's account automatically comes up for revision.

In order to make it possible to eliminate accounts that are no longer active, a salmon colored tab is placed on the left hand side of the card to indicate an inactive account. At the end of each year, all accounts not sold for four years are withdrawn. However, before the cards are taken out, each account is investigated through circularization of the salesman covering the territory, and with the information we have on hand, we may ascertain the reason for their not buying from us for the past four years. This procedure is in addition to the annual procedure on accounts that have not been sold during the previous year. This is done by the Credit Department and later by the Sales Department.

It is necessary to emphasize at this point the principle that a credit department is not fulfilling its prime economic function if it does not serve as a clearing house and focal point for merchandising ideas and plans. How foolish it is for any business organization to fail to get dividends from the business-building and merchandising promotion functions of its credit department.

After the reason for our not selling the account has been determined, a regular form is filled out and furnished to the Sales Department for their further information. A copy of this report is also retained by the Credit Department so that if this customer should ever buy in the future we can again place the credit information we had originally obtained about him in our current file, as we consider this information of great value.

As the clerk delegated to post all invoices on our visible card makes these postings, the credit rating established in the District Office is checked and if at any time an overshipment is made, we immediately get in touch with the District Office to determine from them their authority for making the shipment beyond the credit rating already established. In order that each District Office may be informed promptly of the standing of each of their accounts, since all Accounts Receivable are centralized at the Main Office, a daily summary is sent to them showing what each customer has paid. This, in many instances, gives them authority, by virtue of payment, to release further shipments to a customer.

As an illustration: when the credit limit on an account has been reached, unless our district office has been previously authorized to make further shipments to the customer, it gets in touch with the general office, either by telephone, telegraph or letter for further authorization. In the event approval is made by telephone, a form is filled in at the time the telephone order is being authorized, as a confirmation of the request. If the order is approved by telegram, a copy of the telegram is retained in the credit file and each morning, the previous day's telephone and telegraphic authorizations are placed on the desks of those interested in passing on these accounts. At the end of the month, we go over these authorizations to determine whether it is possible to increase these specific customers' credit limits and thus reduce the telephone and telegraph expense.

It has been our custom to have some representative of the Credit Department call on our customers as often as possible and become acquainted with them for we feel that this gives us a better picture of the customer and enables us to handle a transaction more promptly. Whenever a call is made by the Credit Department, the Credit Department associate makes a complete detailed report of his call on a special form. A copy of this report is sent to the saleman covering the territory and to the District Office. The original is

(*Continued on page 50*)

FORM 250 GEN. 2M 12-30-30

MEDUSA PORTLAND CEMENT COMPANY

REPORT OF PAST DUE ACCOUNTS MONTH ENDING________19___ CREDIT DEPARTMENT

CITY	STATE	NAME	PAST DUE LEDGER ACCOUNT					NOTES SHOW DATE DUE	IHA ITEMS	LEDGER BALANCE	REMARKS
			1 TO 29 DAYS	30 TO 59 DAYS	60 TO 89 DAYS	90 TO 119 DAYS	120 DAYS OR OVER				
THIS MONTH											
LAST MONTH											
LAST YEAR											

Boston

welcomes the

N.A.C.M.

the city famous throughout history for its contribution to our democracy and progress becomes host to the 1931 convention of the association

THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE DEPARTMENT
STATE HOUSE, BOSTON

THE GOVERNOR

Mr. Frank S. Hughes, Vice Pres.
National Association of Credit Men
Federal Reserve Bank
Boston, Mass.

My dear Mr. Hughes:

The very fine compliment which the National Association of Credit Men and The Robert Morris Associates have paid Boston in selecting this city for its 36th Annual Convention at the Hotel Statler, commencing the week of June 22nd, 1931, affords me great pleasure.

Your Associations are comprised of a group of outstanding and forward-looking men, who are contributing their full share to the prosperity of American business and banking, and the City of Boston and State of Massachusetts are delighted at the anticipation of entertaining your delegates and guests, and I believe that they will be more than satisfied with the welcome they will receive while here.

There are few cities that possess the facilities and advantages for a gathering of this kind.

Boston is one of the largest cities in the East, and it is a recognized center of art, drama and music, as well as an ideal place for those on recreation bent.

Our State is rich in scenic attractions and historic traditions, among them being Cape Cod, the North Shore, and many shrines of Revolutionary fame.

You have my sincerest assurance of a whole-hearted reception and welcome within our borders, and I will do all that I can to make the event a very pleasurable one for all who come.

Sincerely yours,

Joseph B. Ely

CITY OF BOSTON
OFFICE OF THE MAYOR
CITY HALL

JAMES M. CURLEY
Mayor

The extraordinary compliment which the NATIONAL ASSOCIATION OF CREDITMEN and THE ROBERT MORRIS ASSOCIATES has paid to Boston, in selecting it for its convention proceedings in the year 1931, is one that give me, as the representative of the city, more than ordinary pleasure and satisfaction.

If the members who so kindly selected this city have indulged in pleasurable anticipation of the visit, they may be sure that everything shall be done to see that their fondest hopes are realized. Boston, with a background of history, covering a period of three hundred years, has consistently and persistently advanced down to the present day; and while its history is a just ground of pride, it must not be forgotten that, in commerce and industry, it has equal ground for satisfaction, and looks toward the future with perfect confidence that the years that are to come, whether in the making of history, or in advance in the arts, in the sciences, in industry and commerce, will compare favorably with any period in her history down to the present time. I think there is a peculiar fitness in the selection by this organization of Boston for its convention, and this I hope and expect the citizens of Boston may be able to show in what will be for them a too brief stay of the organization among us.

I promise you a warm welcome and such a heartfelt reception as I am sure will make your visit an ever-growing pleasant memory as time advances.

Sincerely,

James M. Curley

Mayor.

From June 22-26, modern Boston will offer National Association of Credit Men delegates as many surprises as historic Boston. Here are many of the world's greatest factories and industries. Here is the focal point of New England's business. Here is the gateway to the great fishing centers of New England and the waters of the northeastern Atlantic. Boston is the threshold across which you can step into a vacation land of grandeur and beauty. Maine, New Hampshire and Vermont are less than an overnight ride away. Boston offers a colorful blending of the old and new, of the historic and modern, which will delight and please every convention delegate. Just as New England has given this country many of its greatest historical events, many of its business and industrial achievements, so is there every indication that Boston will give to the National Association of Credit Men in 1931 the best convention of its history.

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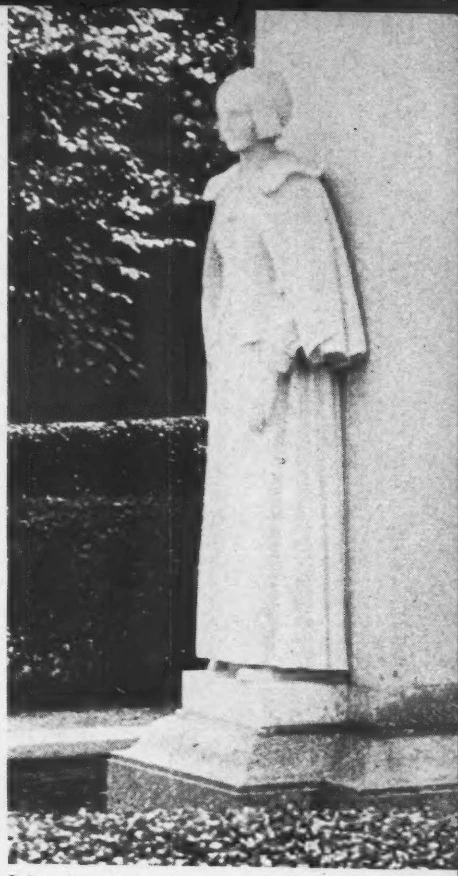

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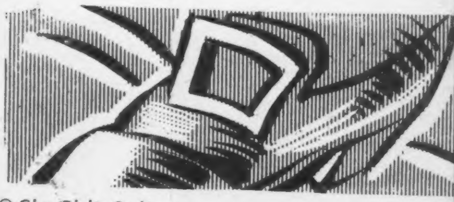
Plymouth Rock, shrine of all tourists for centuries past

Old State House characteristic of the contrast of old to new

Old South Meeting House which witnessed fate of hated tea tax

"Puritan Mother" commemorating the landing of Pilgrims

(Below) Paul Revere House between houses built generations later



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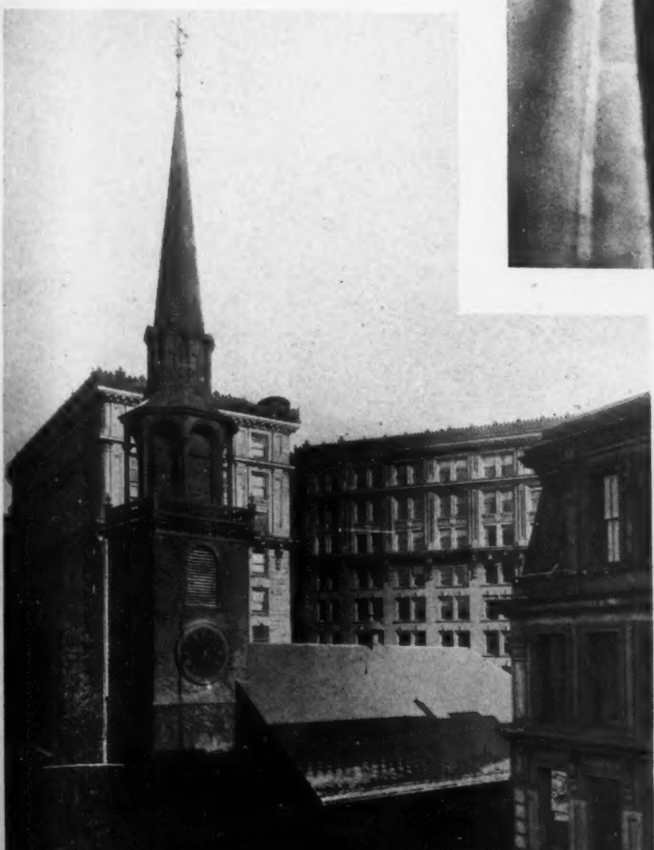

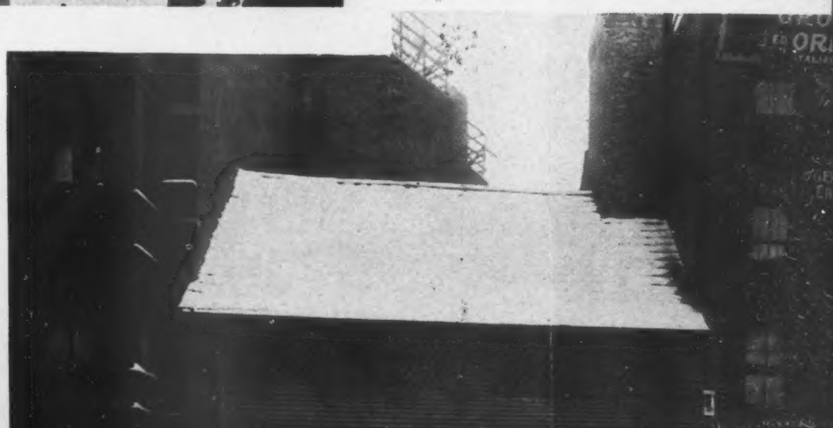

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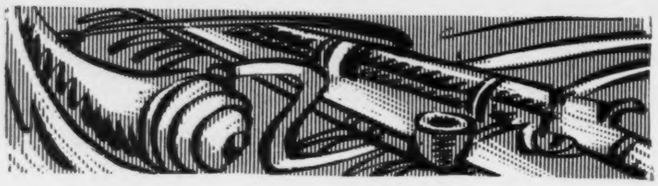
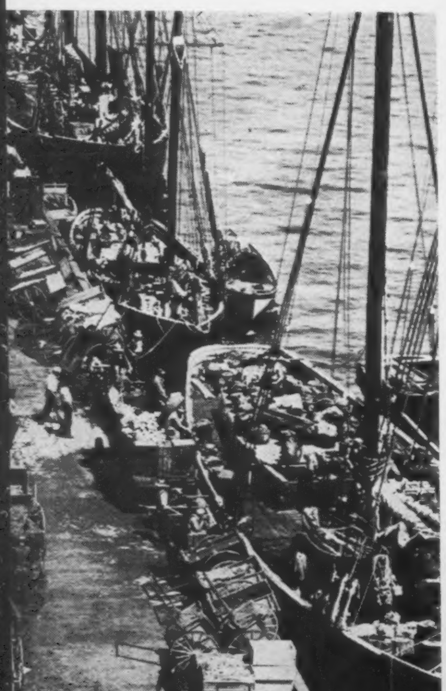
Massasoit: Indian who made treaty of peace with Colonists



a photograph of Faneuil Hall made fifty years ago

The largest pier in the world devoted exclusively to fish

© Herbert Photos



© Wendell McRae

the well known mo ument that mar historic Bunker H

Massachusetts Sta Capitol from acr the Boston Comm

only humans need lose life

the life of the business may continue as usual if protected by business insurance

by L. G. SIMON
President of the Life Underwriters Association of the City of New York

no need to answer the call of Charon to cross the Styx in the wake of managerial leaders

THE increasing complexity of business has enhanced the importance of business leaders. Just as the loss of its commanding officers turns an army into an undisciplined hord, so the loss of the managerial brains of a business enterprise has a distinct depreciating effect upon the organization. One of the major problems of modern management has been to find a method of absorbing and minimizing this loss. Life Insurance has provided a solution to this problem in the form of Business Insurance.

Business Insurance is essentially life insurance applied to business needs. It is a mistake to believe that Business Insurance applies only to big business interests. By analogy, it is just as important to the small concern as the $5,000 or $10,000 life insurance policy is to the laboring man's widow. The majority of Business Insurance policies being written today are of comparatively small denomination, the average being about $8,000. Practically every small storekeeper and owner of a moderate-sized wholesale or jobbing business is in real need of Business Insurance.

Business Insurance is naturally of major importance to the large corporation. The president of a corporation is insured for the benefit of the corporation because of the fact that upon his death the corporation will be unable to replace him quickly and the loss of his valuable services may mean a slackening up in every branch of the business and a resulting financial loss. This financial loss is absorbed by Business Insurance.

Business Insurance is essential in both corporations and partnerships. It provides the money with which the

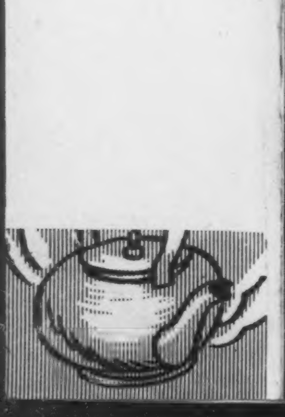
(Continued on page 52)

street sign of a tea company, commanding in its quaintness

© Wendell McRae

in spite of historic antiquity Boston is truly ultra-modern

© Ewing Galloway



nation-wide collection and sales conditions

what they are at present

the outlook for the near future

CREDIT AND FINANCIAL MANAGEMENT offers its fourteenth monthly survey of Collections and Sales Conditions. This survey is based upon reports from 116 cities throughout the country that are trade centers for their surrounding areas. The reports are the results of the daily experience of the leading wholesaling and manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and "Are they paying?", are perhaps the most direct and immediate reflection of daily business conditions in the country.

■ This is the fourteenth monthly report of Collection Conditions and Sales Conditions to be assembled and published by Credit and Financial Management.

These reports have been tabulated so that you may see at a glance how conditions are reported in various cities in each State. You may also see at a glance what cities report a condition of "Good, Fair and Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to CREDIT AND FINANCIAL MANAGEMENT. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

State	City	Collections	Sales	State	City	Collections	Sales
Ala.	Birmingham	Slow	Slow	Mich.	Jackson	Slow	Slow
	Montgomery	Slow	Slow		Lansing	Fair	Fair
Ariz.	Phoenix	Fair	Fair		Saginaw	Fair	Slow
Ark.	Fort Smith	Fair	Fair	Minn.	St. Paul	Good	Fair
Cal.	Los Angeles	Fair	Fair	Mo.	Kansas City	Slow	Slow
	Oakland	Fair	Fair		St. Joseph	Fair	Fair
	San Diego	Fair	Fair		St. Louis	Slow	Slow
	San Francisco	Slow	Slow	Mont.	Billings	Fair	Fair
Colo.	Denver	Fair	Fair		Great Falls	Slow	Fair
	Pueblo	Fair	Fair		Helena	Slow	Fair
Conn.	Bridgeport	Slow	Slow	Neb.	Omaha	Fair	Fair
	Hartford	Fair	Slow	N. J.	Newark	Fair	Fair
	New Haven	Fair	Fair	N. Y.	Albany	Fair	Fair
	Waterbury	Fair	Fair		Binghamton	Fair	Fair
D. C.	Washington	Slow	Fair		Buffalo	Fair	Fair
Fla.	Miami	Good	Fair		Elmira	Fair	Fair
	Tampa	Fair	Fair		New York	Fair	Fair
Ga.	Atlanta	Fair	Fair		Rochester	Good	Fair
	Macon	Fair	Fair		Syracuse	Fair	Fair
	Savannah	Fair	Fair		Utica	Fair	Good
Ill.	Galesburg	Fair	Fair	No. Car.	Charlotte	Fair	Fair
	Peoria	Fair	Fair	No. Dak.	Fargo	Fair	Fair
	Quincy	Fair	Fair		Grand Forks	Fair	Fair
	Rockford	Slow	Slow	Ohio	Cincinnati	Fair	Fair
	Springfield	Good	Fair		Cleveland	Fair	
Ind.	Evansville	Slow	Slow		Columbus	Slow	Slow
	Fort Wayne	Slow	Slow		Dayton	Slow	Fair
	Indianapolis	Slow	Fair		Toledo	Slow	Slow
	South Bend	Slow	Slow		Youngstown	Slow	Slow
Iowa	Cedar Rapids	Fair	Fair	Okla.	Oklahoma City	Slow	Slow
	Davenport	Fair	Fair		Tulsa	Fair	Fair
	Des Moines	Fair	Fair	Ore.	Portland	Fair	Fair
	Ottumwa	Good	Good	Penn.	Allentown	Fair	Fair
	Sioux City	Fair	Fair		Altoona	Slow	Slow
	Waterloo	Fair	Fair		Johnstown	Slow	Slow
Kan.	Wichita	Fair	Fair		New Castle	Slow	Slow
Ky.	Lexington	Fair	Fair		Philadelphia	Fair	Fair
	Louisville	Fair	Fair		Scranton	Fair	Fair
La.	New Orleans	Slow	Slow		Wilkes-Barre	Slow	Fair
	Shreveport	Slow	Slow	R. I.	Providence	Slow	Slow
Md.	Baltimore	Fair	Fair	So. Dak.	Sioux Falls	Slow	Fair
Mass.	Boston	Fair	Fair	Tenn.	Knoxville	Fair	Fair
	Springfield	Slow	Slow		Memphis	Slow	Fair
	Worcester	Fair	Fair		Nashville	Slow	Fair
Mich.	Detroit	Fair	Fair	Tex.	Austin	Fair	Fair
	Flint	Slow	Slow		Dallas	Fair	Fair
	Grand Rapids	Fair	Fair		El Paso	Slow	Fair

State	City	Collections	Sales	State	City	Collections	Sales
Tex.	Ft. Worth	Fair	Slow	Wash.	Tacoma	Fair	Fair
	Houston	Fair	Fair	W. Va.	Bluefield	Slow	Fair
	San Antonio	Slow	Fair		Charleston	Fair	Fair
Utah	Salt Lake City	Fair	Fair		Clarksburg	Slow	Fair
Va.	Bristol	Fair	Fair		Parkersburg	Fair	Fair
	Lynchburg	Fair	Fair		Wheeling	Slow	Slow
	Norfolk	Fair	Fair		Williamson	Slow	Slow
	Richmond	Fair	Fair	Wis.	Fond du Lac	Slow	Slow
	Roanoke	Fair	Fair		Green Bay	Slow	Slow
Wash.	Bellingham	Slow	Slow		Milwaukee	Fair	Fair
	Spokane	Fair	Fair		Oshkosh	Slow	Slow

■ ■ comments on collections and sales conditions ■ ■

COLORADO: Both collections and sales throughout the state of Colorado are reported as "Fair." Although the rating remains at "Fair" an improvement in conditions is evident.

CONNECTICUT: Collections and Sales average from "Fair" to "Slow". There has been a decided decrease in collections during the past month, and New Haven reports receivables outstanding as having increased 25% since the first of the year. Sales have dropped off at an alarming rate in all the leading industries, particularly brass and copper and hardware. The number of working hours has been constantly decreasing since March 1. Waterbury reports that some of the manufacturing industries have cut down time of employees from four to three days per week. Although more orders have been received during the past month, the working hours have not been increased. The report states that conditions are "discouragingly slow."

FLORIDA: Collections in Miami are reported Good for the third month, although sales have dropped to their former rating of "Fair." The winter season has ended but conditions are holding up very well.

IOWA: Conditions throughout Iowa seem to be on the upward trend. Collections have shown a decided improvement. Manufacturing industries are slowing down, and Sioux City reports an increase in mercantile failures. However, the recent rains will tend to help farming conditions.

LOUISIANA: Louisiana reports both collections and sales as "Slow." Collections in New Orleans are not expected to show an improvement until the new crop in the fall. Sales in this city have fallen off this month. Shreveport reports slow sales with an improvement in some lines but as a whole, the situation continues unfavorable from a mercantile standpoint.

NEBRASKA: A decided improvement has been noted in collections since March 15. Sales are very spotty. In the food lines, improved sales are reflected but in textile and general merchandise lines, sales continue very slow.

NEW YORK: Many concerns throughout New York State report collections and sales as "Fair." However, most of these firms report that the improvement in sales for the first three months of this year has been followed by a slight drop in April.

OKLAHOMA: Collections have shown a slight improvement over last month with fewer failures during the past thirty days. Sales are smaller than in 1930, but are improving.

RHODE ISLAND: Conditions in this state are reported as slow and no improvement is expected until summer resorts open the latter part of May.

TEXAS: The Secretary at Fort Worth reports, "Conditions as a whole appear about on a level with last month. We anticipate some improvement now that good rains are reported throughout the State, and the East Texas Oil Field is getting a good play." Austin, Texas, reports a steady increase in both collections and sales. Sales in Dallas showed an increase for April due to the Easter season.

changes since last month

State	City	Collections	Sales
California	Oakland	Slow to Fair	Slow to Fair
	San Diego	Slow to Fair	Good to Fair
	San Francisco	Fair to Slow	Fair to Slow
Connecticut	New Haven	Good to Fair	Good to Fair
Dist. of Col.	Washington	Fair to Slow	
Florida	Miami		Good to Fair
Illinois	Peoria	Slow to Fair	Slow to Fair
	Springfield	Slow to Good	Slow to Fair
Indiana	Evansville	Fair to Slow	
	Fort Wayne	Fair to Slow	Fair to Slow
	South Bend	Fair to Slow	Fair to Slow
Iowa	Des Moines	Slow to Fair	
	Ottumwa	Fair to Good	Fair to Good
Louisiana	New Orleans	Fair to Slow	Fair to Slow
Massachusetts	Springfield	Fair to Slow	Fair to Slow
Michigan	Flint	Fair to Slow	Fair to Slow
	Jackson		Fair to Slow
	Lansing	Slow to Fair	Slow to Fair
	Saginaw	Slow to Fair	
Minnesota	St. Paul	Fair to Good	
Missouri	Kansas City	Fair to Slow	
Montana	Helena	Fair to Slow	
Nebraska	Omaha	Slow to Fair	Slow to Fair
New York	Elmira		Good to Fair
	Utica		Fair to Good
Ohio	Columbus	Fair to Slow	
	Dayton	Fair to Slow	Slow to Fair
Pennsylvania	Scranton	Slow to Fair	Slow to Fair
Rhode Island	Providence	Fair to Slow	
Tennessee	Memphis	Fair to Slow	
	Nashville	Fair to Slow	
Texas	Austin		Good to Fair
	El Paso		Slow to Fair
	Fort Worth	Slow to Fair	
Utah	Salt Lake City	Slow to Fair	Slow to Fair
Virginia	Roanoke	Slow to Fair	Slow to Fair
West Virginia	Clarksburg	Fair to Slow	
	Parkersburg		Slow to Fair
Wisconsin	Green Bay	Fair to Slow	Fair to Slow

"this month's collection letter"

TIME
The Weekly Newsmagazine
CHICAGO · NEW YORK

CIRCULATION DEPARTMENT
Roy E. Larsen, Manager
Chicago, Illinois

Dear Subscriber:

Our accounting department does solemnly affirm, maintain and assert that you owe us one dollar.

We hate to get excited about one dollar. We also dislike the usual "collection letter" which bursts into tears in the first paragraph and yells for the law in the second.

Trouble is though that you and 999 other subscribers, all holding out one dollar, leave us $1000.00 in the hole. It is this little problem in elementary arithmetic that shakes our faith in humanity.

So (to quote from an esteemed contemporary) won't you "obey that impulse" and send us your check for one dollar, for in this case procrastination is certainly the thief of TIME.

Sincerely,

CIRCULATION MANAGER

REL:CB

We present our ninth "This Month's Collection Letter". It is unique and effective and an example of good collection letter thinking.

What the country needs is more good collection letters. Their importance in helping pull business out of a depression and then keeping it out is greatly underestimated. There is no short cut to profits as certain as collection letters that do their job.

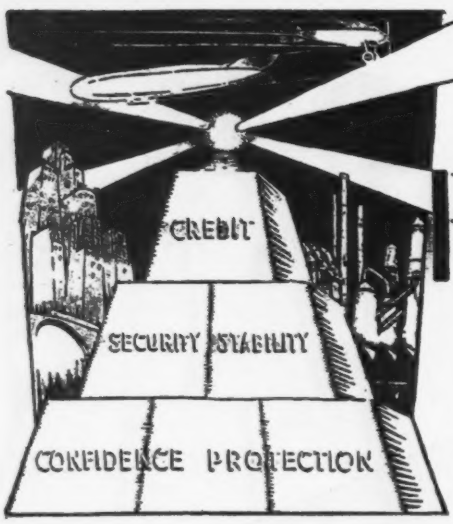
Send us your best and favorite collection letter for our "collection of collection letters" which we are gathering and which will later be presented to readers of CREDIT and FINANCIAL MANAGEMENT.

■ The letter reproduced above asks for only a dollar. We feel sure that this letter would bring in payments of much larger sums of money. The letter, which is reproduced by permission of the circulation department of the weekly publication, Time, is such a fine example of how to get the money without losing the customer, that it has been chosen as "This Month's Collection Letter."

The letter has unusually fine continuity of thought and expression. It leads the reader gently but firmly along and clinches the argument by an ending which "clicks" and makes payment almost a pleasurable performance.

The tone of the letter, while sprightly, is not facetious. The second paragraph gives an interesting commentary on collection letters as they should not be. "Bursting into tears" and "yelling for the law" are certainly two of the major faults of collection-letter writing.

While this letter may not fit the needs of the average mercantile collection department, yet its style and form may be followed with profitable results in increased collections and customer good will.



INSURANCE DIGEST

As the credit executive is in closer contact with the insurance field than any other business man excepting the insurance man himself, the Insurance Digest has been inaugurated to fill the need of the credit fraternity for insurance news and information.

Economic Adjustment Policy

The Equitable Life Assurance Society has recently brought out a new low-rate policy, known as the Economic Adjustment Policy, which is designed to meet the need for life insurance protection at a time of decreased buying power.

"We found the public in great need of life insurance for family and business protection at a time when reduced incomes called for a careful spreading of expenditures," said Thomas I. Parkinson, president of the Equitable, when describing the new policy.

"The Economic Adjustment Policy, extends to the individual a maximum of permanent insurance for a minimum of premium deposits during the first five or ten years, and, if his financial situation has not improved in that time, even makes it possible for him to stay insured for his entire lifetime at the original premium level.

"At either the five or ten year period, the insured may utilize an adjustment whole life premium option. If, on the other hand, the policyholder should find himself financially unable to assume the increase involved, he may continue at the original premiums until he is 60 years old, at which point three more adjustment options are offered, two providing for the still further extension of the original premiums and a third for conversion to the whole life plan at an increased premium.

"The policy will be written on standard risks only between the ages of 21 and 54 years for a minimum amount of $2,500. The new contract will enjoy participation in the Society's dividend earnings and will have loan, cash and other surrender values."

A Billion and a Half In Insurance Trusts

A country-wide survey of the aggregate amount of life insurance policies deposited during the year 1930 with banks and trust companies as trustees under insurance trust agreements, indicates that a total of around $1,500,000,000 was so placed. In 1929, the amount was $1,200,000,000, which means that during less than a decade in which this fiduciary relationship has been in existence, some four billions of insurance has found custody in trust companies. The reason for this great growth is the increasing importance being given to business life insurance as a means of conserving assets of business organizations, especially in partnerships; of financing stock purchase plans by surviving stockholders; for protecting bond issues in cases where death of a manager may have serious consequences. There is now $108,500,000,000 of life insurance in force, thus presenting an unlimited field of expansion for trust service.

Fire Risks and Fire Losses

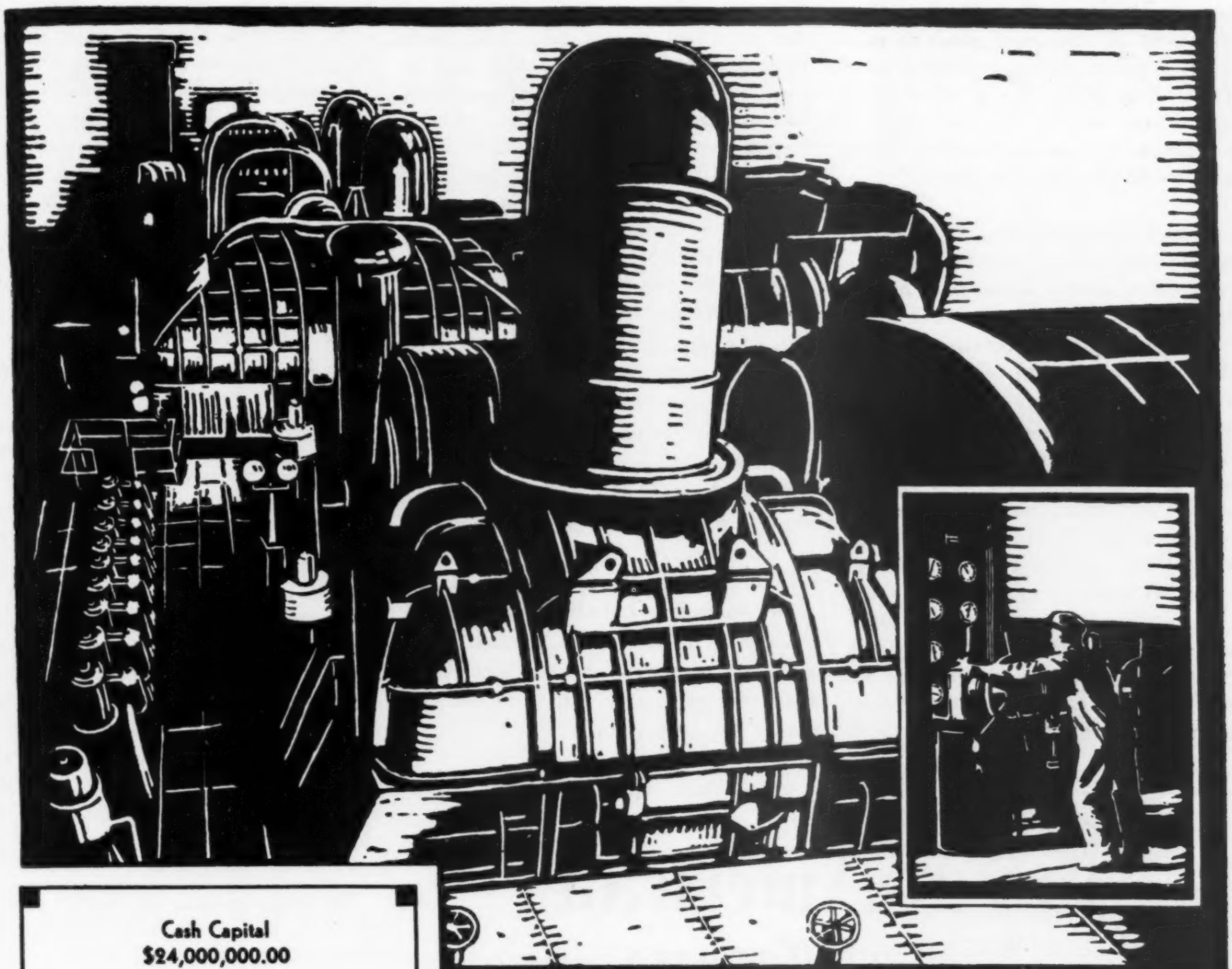
At the present time, the aggregate of fire risks carried by all the companies doing business in the United States approximates 201 billions of dollars, according to an inquiry made under the direction of Ernest Sturm, chairman of the boards of the America Fore group of insurance companies.

The figure of 201 billion dollars covers all kinds of building and commodity fire risks carried by insurance companies and represents about 59 per cent. of the national wealth.

A striking feature of the survey is that it shows the current total of 201 billion dollars as compared with 150 billion dollars in 1920 and only 54 billions in 1910. The increase between 1910 and 1920 amounted to 177 per cent. and that from 1920 to 1930 to some 34 per cent.

Fire losses in the United States during March totaled $44,074,362, which was an increase of $1,109,970 over the figure for March, 1930, according to the National Board of Fire Underwriters. This was likewise an increase of $2,298,311, as compared with February of this year and slightly under the total for January. The total fire loss for the first three months is $129,940,862, as compared with $127,515,367, for the first quarter of 1930, an increase in excess of $2,400,000.

STRENGTH IS SAFETY!



Cash Capital
$24,000,000.00

Net Surplus
$37,491,905.53
(Accumulated over 78 Years)

Surplus to Policyholders
$61,491,905.53

Additional Funds
$40,721,992.00
(Pro rata Unearned Premiums)

Reserved
for Miscellaneous Accounts, Taxes, Dividends and Other Obligations
$14,682,227.71

Assets
Cash on hand, funds conservatively invested or current balances payable when due
$116,896,125.24

THE world's most powerful Turbo-generators now in use have a capacity of 160,000 kilowatts. These gigantic units which are the last word in modern machinery supply light and power for commercial and household uses — serving the public diligently throughout the day and night.

"The Home of New York" a financially strong stock company with its conservative investments and sound management has weathered the storms of conflagration and business depression. This financial strength is supplemented by a service to policyholders that has earned for the company a reputation for the prompt and fair settlement of all losses.

THE HOME INSURANCE COMPANY NEW YORK

ORGANIZED 1853

WILFRED KURTH, President

59 MAIDEN LANE

Strength « » Reputation « » Service

the business thermometer

(*Continued from page 9*)

loadings is offered in the La Salle Business Bulletin which says that "the movement of consumers goods to market is lagging, although several other classes of freight make a better showing. These may be the forerunner of increase in total loadings which will become evident in the near future."

CASH VS. CREDIT: The chart on this topic, which accompanies this article is based on a survey conducted by the Department of Commerce. It is worth a close reading for it reveals that cash sales make up less than half of the total in such lines as department stores, men's and women's apparel, jewelry, electrical appliances, and furniture stores. Women's specialties show the least dependence on instalment business while furniture, not at all surprisingly, reveals 58.9 per cent. of total sales on a pay-as-you-use basis.

This study covers records of 24 cities and over 500 individual stores, in which net sales totaled $561,000,000 for six months. The ratio of bad debts to total sales was 3/10 of 1 per cent. for both charge and instalment accounts in all the stores studied.

MONEY RATES: Over the period of the past eighteen months, or since the fall of 1929, money rates have been falling with little interruption and at the start of this year were at low levels seldom reached in past years. Cheap money has rarely failed to start business activity and the present low rates are viewed as a favorable sign in this regard. A complete exposition of this theory is available in the March issue of CREDIT AND FINANCIAL MANAGEMENT in an article by Alvan T. Simonds. In effect he says that during the past fifty years, major swings in money rates have forecast accurately, months in advance, every major swing in business activity, i. e., fourteen upward swings including the 1929 boom, and fourteen downward swings including the 1930 depression. In fact, John G. Thompson, Simonds' assistant, will shortly publish a book on these conclusions and their practical application. Charts of the Simonds' theory are presented on another page along with two on money rates and one on money in circulation.

WHOLESALE PRICES: The expected seasonal upswing in sales throughout the country has materialized to some degree but increased volume has not brought increased profits. Profits are eked out with difficulty at a time of falling prices and price stabilization has not been fully achieved as yet. The Annalist's weekly index sank in April to the lowest mark in the seventeen years since the World War started. Bradstreet's wholesale index early in April showed a slight upward trend, which causes a raising of eyebrows only because for the past seventeen months, consecutive declines were noted. Professor Irving Fisher's weekly index on April 25, using 1926 as a base year, was 74. The week before, it was 74.6; two weeks before 75.2; and a month ago, 75.6. This year's highest average rose to 78.5 for the week ending January 3.

Reports in the New York *Times* late in April stated that Crump's index number of British commodity prices for the last week of April, based on 100 as the average for 1926, was 66.9, the same as the week before, and comparing with 67 two weeks before, 67 three weeks before and 67.1 four weeks before. The average on Jan. 10, at 69.2, was the highest of the year to date; the average of March 14 and 21, at 66.8 was the lowest. The highest average of 1930 was 87.5, on Jan. 2; the 69.4 of Dec. 27 was the lowest.

The index number of average Italian prices, compiled by the Chamber of Commerce at Milan and based on 100 as the average of 1926, is 53.8, which compares with 54.1 a week ago, 54.3 two weeks ago, 54.5 three weeks ago and 54.5 four weeks ago. The 55.8 of Jan. 3 was the highest of the year to date; this week's average is the lowest. The average of Jan. 2 at 69.9 was the highest of 1930; the 56.3 on December 27 was the lowest.

GENERAL: One of the developments of the past weeks that should be viewed with great interest is the limit placed by two of New York's largest savings banks, the Bowery and the Seaman's, on the amount of savings deposits to be accepted during the first three months after the opening of a new account. Both institutions now refuse to accept more than $1,000 during that time. Previously the Bowery had placed the standard at $2,500 and the Seaman's some time ago had set a $1,000 limit for that period. With the Bowery now falling in line, there may be like action on the part of other banks. The rea-

(*Continued on page 38*)

the business thermometer

(*Continued from page* 36)

son for this action is the desire of both banks to exclude from savings deposit, funds not of a strictly savings nature. This move results from many corporations and wealthy individuals placing their funds in savings banks to obtain the 4 and 4½ per cent. return after the general fall in interest rates.

A second fact worthy of note is the report by the Midland Bank of Cleveland which shows that although net earnings of leading industrial concerns in 1930 were the smallest since 1924, dividend payments by these companies established a new high record. Of net income for the period, 99.1 per cent. was disbursed as dividends contrasted with an eleven year average of 66.5 per cent. With the exception of 1921, no other year since 1920 approaches this figure as the accompanying table shows:

	Per Cent.
1920	54.6
1921	121.7
1922	60.2
1923	55.8
1924	62.1
1925	55.1
1926	60.7
1927	74.4
1928	63.5
1929	61.4
1930	99.1
Eleven years	66.5

With those figures in mind, we can smile a bit after reading the latest report of the U. S. Employment Service for it tells us that some improvements in employment occurred during March. Operating schedules increased somewhat in several major industries and additional workers were engaged in some instances.

"The upward trend previously reported in the iron and steel industry continued, but operations in many of the mills remained below those usually in effect at this time of the year. While additional help was engaged in quite a number of these establishments, a large surplus of this class of labor prevailed. Production in the automobile industry was stepped up and some of these plants worked on close to normal schedules. This increase in operations resulted in the recalling of quite a number of men who had been on furlough for some time past. The improvement in the automobile industry was reflected to some degree in several of the larger establishments manufacturing rubber tires, which reported some increase in activities. Conditions generally in the textile centers showed little change, curtailed schedules predominated, and many of these laborers were idle; however, there was some improvement in this industry, more particularly apparent in the New England States. Plants producing boots and shoes operated on fairly satisfactory schedules in most instances and quite a number reported an increase in their forces engaged. This was attributed in part to the seasonal demand for spring and summer footwear, and a decrease in activity is expected as soon as this demand has been met.

"Work has been started in many States on the 1931 highway-construction programs, and a large number of men were absorbed on these projects, with every indication that there will be a further increase in forces during April. An increase in building was noted, but there were still large surpluses of these craftsmen in some localities. Municipal improvements and heavy construction projects will soon be offering employment to many men. There was a steady increase in the demand for agricultural help, which will continue throughout April. With better weather assured in practically every section of the country as we enter the spring period, an increase in the demands for all classes of outdoor laborers will naturally follow, which will do much to alleviate the unemployment that has prevailed throughout the winter months."

center door-knob diplomat

(*Continued from page* 11)

department does not operate on one-sided principles. It is always ready to co-operate with American firms and organizations in the development of commercial projects mutually advantageous to the two countries."

Probably the biggest and most disconcerting "if" in international commerce and business is the "if" in tariff. The psychology of viewpoint is almost as important as the factuality of figures —and is, in a great many cases, more relevant to international harmony than figures. The tariff question that I put to the Ambassador was, "Is there any substantial change taking place in the English viewpoint concerning the tariff and will the adoption of high and protective tariffs by other countries make it necessary for England to revise its present tariff program?"

Although it is not directly in his province as a permanent official of the Crown to discuss matters of fiscal policy, Sir Ronald said: "Discussions as to the fiscal policy of the government in power lie outside the realm of the permanent officials of the Crown. There is evidence, however, that the increasingly high level of tariffs in other countries is adversely affecting British export trade. Consequently a feeling exists in manufacturing circles that British industry cannot long remain out of line with its foreign competitors in regard to tariff protection. British industry would no doubt prefer a general scaling down of foreign tariffs to the low level of those obtaining in England so that commerce could flow more freely all over the world. Failing this ideal, it is comprehensible that agitation should arise in industrial circles for the same degree of tariff protection for British manufacturers as that afforded to industry in those countries whose industrial system is based upon a high tariff policy."

We discussed the importance of international goodwill and I wanted to know what events and circumstances during the past year have been most productive in promoting goodwill between Great Britain and the United States. The gist of the Ambassador's interpretation is that, "the past year has been one of world depression in commerce in which Great Britain has suffered acutely. The underlying causes are mainly international, and the co-operation between British and American financiers and business men to meet the crisis is evidence of goodwill which should assist materially in solving the difficult problems now confronting us."

India came in for consideration during the interview and this question was asked: "Is the business and commercial system of India well enough developed for that country to be a good business risk without British backing?"

"The commercial affairs of India do not come within the province of this Embassy to any appreciable extent. The system of modern commerce in that country, however, has been largely built upon British foundations and should therefore include the maintenance of a high credit rating among its cardinal principles of operation."

From the answers already given it is easy to discern the Ambassador's "center door-knob" type of thinking. If the answer to a question is not specially in the province of his official position, Sir

(*Continued on page* 41)

The Business Library is the window through which you may see the panorama of business progress and development.

Conducted by
Frank A. Fall, Litt. D.
Director of Research
N. A. C. M.

THE BUSINESS LIBRARY

Stuart Resumes the Chase

THE NEMESIS OF AMERICAN BUSINESS. Stuart Chase. The Macmillan Co., N. Y. 1931. 191 pp. $2.00.

While Mr. Chase wanders far from his text in this book (thereby proving, perhaps, that he is a good preacher), there is scarcely a page in it that does not have some message for the business man, particularly if the B. M. takes time off occasionally to think about people, habits, trends and possibilities.

There are ten chapters, each of which was originally a magazine article. Six of them, including the one used as a title for the book, appeared in *Harper's;* and one each in *Fortune, The Nation, The Technology Review* and *The Saturday Review of Literature.*

The "nemesis" referred to is unemployment. Mr. Chase speaks out for a shortening of working hours as the only logical and final answer to technological unemployment. He cites four channels through which "regularization" may be approached: President Hoover's Business Survey Conference; the trade associations; the industrial manufacturer or contractor; and the labor union. He says that we need better statistics on unemployment, and more action and less talk on long-swing construction programs.

He is also strong for an unemployment reserve. "As a certified accountant," he says, "I have been examining corporation balance sheets for many years. Seldom do I find one without a 'surplus' account on the credit side, and frequently an appropriated surplus, variously entitled 'reserve for dividends,' 'reserve for depreciation,' 'reserve for bad debts,' 'reserve for expansion.' But a 'reserve for unemployment' I have never seen. The dividends and equities of stockholders have been protected by many ingenious devicese. It is time, and more than time, that the flesh and blood which provide them receive equal consideration."

In the chapter on "The Abuse of Capital" Mr. Chase gives his formula for industrial co-ordination. It must probably take, he says, the form of a domestic revision of the antitrust laws; an alliance between industry, trade association, and government to control investment (*i. e.* plant capacity) on the one hand, and to guard against unwarranted monopoly prices on the other; a universal system of minimum wages and guaranteed hours of labor to frighten off fly-by-night entrepreneurs and to stimulate purchasing power; and finally, and perhaps most important of all, the setting up of a National Planning Board as a fact gatherer and in turn adviser to Congress, President, industry, trade union, banker, state government, on every major economic undertaking in accordance with a master blueprint.

The modern world is not, in Mr. Chase's opinion, "led" at all. It simply flounders. If broad-visioned engineers had had the past century in charge, as co-directors, they would not have permitted the depletion of our forests at a rate four times that of the annual growth; the exhaustion and erosion of soils, and the floods that follow after; violation of all the laws of geology in the exploitation of petroleum pools; the present criss-cross and duplication in our transportation systems; the neglect of cheaper waterways for the profitable exploitation of high cost railways; the jams, bottle necks and traffic tangles of metropolitan districts; the building of skyscrapers faster than the means to empty and fill them; the elephantiasis of New York City at the expense of other ports; the cross-hauling of raw metals to Connecticut and finished brass back to the West again; and, finally, the desecration of every highway in the country with millions of square feet of cigarette, cosmetic and soap appeals.

THIS MONTH'S BUSINESS BOOK

POLICY AND ETHICS IN BUSINESS. Carl F. Taeusch. McGraw-Hill Book Co., Inc., N. Y. 1931. 624 pp. $5.00.

As managing editor of the Harvard business Review and associate professor of business ethics in the Harvard Graduate School of Business Administration, Mr. Taeusch has had to deal with a varied and significant body of material in the field of ethical and other policies in business.

Recalling the fact that standards of right or wrong for business were set first by the church and later by the law, the author makes the pertinent inquiry whether or not business in the United States has developed such a sense of responsibility that it may be trusted to set its own house in order.

In searching for an answer to this question, Mr. Taeusch goes carefully into such matters as mergers, trade associations, full-line forcing, price maintenance and discrimination, trade policy, commercial bribery, contract cancellations, price-cutting and misrepresentations in advertising and selling.

Unquestionably all of these are major problems, entitled to more and keener study than they have received up until now. One reason for the lack of a vigorous attack on these problems in the past doubtless lies in what the author calls "methodological difficulties,"—chief of which is the absence of records that are comparable with those that are available, for example, in legal research.

Mr. Taeusch is vigorously critiial of the interference of law with business. And yet most of the evidence on which he bases his criticism had to be found in legal rather than business records. And, as the author makes clear, these records (the "law reports") have furthermore been inextricably bound up with the rule of *stare decisis*, a rule which is the basis for much criticism against the law, and which has been regarded by students of business as incompatible with the most characteristic feature of business activity,—its dynamic character.

To meet the lack of records, the Harvard Graduate School of Business Administration collected many cases of actual business conduct, in an attempt to provide the raw materials and foundation for a science of business. Reports on these cases have been published in the *Harvard Business Reports*, several of which have been reviewed on this page. Mr. Taeusch has drawn on these, and on reports of the Federal Trade Commission for his case material. The generalizations are his own.

Mr. Taeusch has made a straightforward, scientific study of some of the most vital and far-reaching problems faced by American business today, and a careful consideration of his findings will unquestionably be beneficial to our business health.

A Business Service Help

MANUAL OF RETAIL TERMS. John W. Wingate. Prentice-Hall, Inc., N. Y. 1931. 562 pp. $5.00.

This is a new title in the "Retailing Series," the others being "Retail Credit Procedure" and "Store Management" by Dr. Norris A. Brisco, "Retail Buying" and "Retail Receiving Practice" by Brisco and Wingate, "Principles of Retailing" by Dr. Brisco and a number of collaborators, and "Retail Merchandising" by James L. Fri.

In a brief Foreword, Channing E. Sweitzer, managing director of the National Retail Dry Goods Association, calls attention to the fact that although retailing is one of our oldest forms of business, its terms and definitions are perhaps less standardized than those of any other branch of commerce. New words and terms have been introduced and have spread throughout the field of retailing without any real uniformity of interpretation.

Interchange of ideas and comparison of practices, says Dr. Sweitzer, call for a common language—standard terminology and a general agreement as to the meaning of terms used. Efforts directed toward the standardization of terms and definitions and the dissemination of this information should certainly be encouraged.

In arranging his material, Mr. Wingate uses chapter headings, under which the

terms and definitions are grouped. These chapter headings are: marketing organization; general management; merchandising organization; merchandise classifications; retail buying; fashion merchandising; merchandise statement; expenses and net gain; merchandise control; sales promotion; advertising; store management; service to customers and sales transactions; packing and delivery; personnel administration and wage systems; employment; training; welfare; traffic, receiving, marking and storing; accounting; controller's organization; credits and collections; and agencies for retail research and education.

Terms defined in the chapter on "Credits and Collections" (XXIII), include: accounts receivable office; aging accounts; analysis of accounts; attachment; authorization file; authorization of charge sales; bad-pay account; bankruptcy; billing clerk; bulletin service; carrying charges; closing an account; collection bureau; collection manager; collection percentage; complaint clerk; conditional sales contract; control bookkeeper; credit and collection department; credit application; credit bureau; credit control; credit files; credit limit; deferred payment plan; delinquency percentage; deposit account; dual billing and posting; flagging an account; floater; floor authorization; garnishment; good-pay account; house charge; insolvency; instalment selling; ledger report; limit on receivables; mercantile agency; multiple index; new account clerk; open account; preauthorization; rating book; receivership; refer desk; rejection percentage; repossession; skeleton billing; skip loss; slow-pay account; split-platen billing and posting; stagger billing; stop order; suspense ledger; tally strip; telephone authorization; ten-pay plan; time payment chart; tracing agency; tube room authorization; turnover of receivables; and unit billing and posting.

center door-knob diplomat

(Continued from page 38)

Ronald so admits but does give a clear indication of the way he thinks on the subject.

"What are the most important advances made by business men of Great Britain during the past few years," I next asked.

"The mobilization of man power and industry during nearly five years of war impaired the general industrial structure of England. The efforts of industrialists since that time have largely been devoted to the reorganization of the machinery of production and distribution to meet the changed requirements of post-war commerce. In spite of great difficulties, especially those arising from the financial burdens of the war, splendid progress has been made in the direction of rationalization and technical perfection. Large scale manufacturing units such as the Imperial Chemical Industries and the Lancashire Cotton Corporation have been built up which are fully capable of upholding the prestige of British trade throughout the world. Commercial missions sponsored by the government have gone forth to South America, to Egypt, and to the Far East demonstrating the eagerness of the British manufacturers to meet the individual requirements of an amazing variety of customers. The government has further played its part by the organization of the British Industries Fair, a vast display of the quality products of Great Britain which is held simultaneously in London and Birmingham in February each year, and to which come trade buyers from all corners of the earth."

The question is often expressed as to whether there is as much credit emphasis and credit consciousness in foreign countries as there is in the United States,—and particularly in England. I asked Sir Ronald, "Is there the same degree of credit consciousness and credit emphasis in England that there is in the United States?"

"If credit consciousness means the realization of the sanctity of credit obligations there is perhaps no other country in the world in which a greater regard for its national credit exists. The record of Great Britain in this direction needs no emphasis. It is moreover an axiom with the British people that the creation of a high credit standing is a prime factor in the achievement of commercial success. There is not however the same degree of consumer purchasing on credit in England as there is in the United States. This is probably a matter of national psychology. Young nations naturally look more to the future and are more ready to sign mortgages upon it. The older countries have had long experience of the uncertainties of the future and are generally disposed to budget upon their visible assets. It is probably on this account that there is still a feeling in England against the wide extension of consumer credit."

business ballast

(*Continued from page* 13)

stockholders when business is depressed.

It is up to corporate directors to take the initiative in heightening consumer purchasing power at this time when there is a dearth of buyers, by liberally keeping up dividend disbursements.

In discussing dividend philosophy from the investor's viewpoint, Hastings Lyon, Columbia University authority on corporate finance, suggestively points out: ". . . the management of the enterprise may not distribute to the stockholders all of the earnings which are legally available for that purpose. To be sure, even though they are not distributed they belong to him, and the management is simply investing in one manner or another, presumably in the business itself, for the benefit of the stockholder everything belonging to him that it does not distribute. The stockholder will presumably get the benefit of this investment in future greater earnings. Here, however, we have our early problem of the creation of capital, the value of present as compared with future enjoyment. On that part of the earnings available for distribution, which are not in fact distributed, the stockholder is compelled to assume the risks of the future. He cannot evaluate so highly that part of the income legally available for him, which, however, is not actually paid, as he can that which is in fact paid. So he values the stock, first, for the dividends which are actually paid, and, secondly, at a less value, for earnings legally available, which in fact are carried to the surplus account.

"Though the earnings are legally available, it may be that they are not practically so. It may be that a successful prosecution of the enterprise demands the commitment of additional capital and that present earnings could not be maintained without such further capital additions. Successful businesses are usually expanding and the expansion demanding more capital. It may be that even on these earnings withheld and invested for him without the stockholder's volition the future earnings will be even greater than the present. From the investor's viewpoint, nevertheless, it is not income to him, but an expectation of income, and a present expectation, however good, cannot have the same value as a present certainty."

proved by adversity

(*Continued from page* 15)

Geographically they spread from Portland, Maine, to Universal City, California. They serve employees of factories, mills, stores, members of lodges, labor organizations, church parishes, employees of cities, the states, the Federal government, etc., etc. This development may possibly best be illustrated by the two hundred and forty-five credit unions to which over forty thousand postal employees belong. I organized the first credit union of this group seven years ago, with initial assets of eighteen dollars and fifty cents and a membership of twelve. The latest summary report from the office of the Postmaster General indicates that the forty thousand odd members of these credit unions have in them savings of more than three million dollars, and that they have, with their own money and under their own management, made already over a hundred thousand loans, aggregating in money more than twelve millions dollars!

How have credit unions withstood the rigors of the hard times? To the best of my knowledge and belief not a single one of the credit unions we have organized has gone through the process of involuntary liquidation or been closed by a State Banking Department (under the supervision of which they all operate). Not only that (and that is a most extraordinary record when one considers the bank casualties during the depression), but I know of no case where a surety company has been obliged to make good on a credit union treasurer's bond within the group of credit unions which have resulted from the efforts of the Credit Union National Extension Bureau.

To cite a specific case:—eighteen months ago an industrial unit in Massachusetts within which a credit union had been operating for about a year, closed down in all departments. It has not yet reopened. There was no part-time work; no temporary layoff; no advance notice. The shut-down was announced at ten in the morning to take effect at five that afternoon. At that time the credit union had assets, (the savings of the employees of that company), of ten thousand dollars, eighty-two hundred of which was out on loan balances. Eighteen months later (during which no one of these credit union members

had so much as a single day's employment at this plant) the uncollected loan balance was less than eight hundred dollars!

The credit unions have demonstrated and are demonstrating an extraordinary capacity to endure under conditions of extreme difficulty.

Why, I wonder? Possibly because a credit union is a co-operative society of members, with no outside invested capital, managed by members who for the most part receive no compensation, each day performing homely but splendid and personal service. There has not been a single run on a credit union reported during the depression and some of them now have an annual turnover of more than a million dollars! Why, I wonder? Because, possibly, there is no exploitation or possibility of exploitation in a credit union, properly organized. There is something of the brotherhood of man in a credit union; its primary job, I am beginning to believe, is to prove that the brotherhood of man is good business!

Wouldn't it be extraordinary if such is the fact?

As we look about the world in time of international depression, it is hard to escape the notion which the credit unions personify—that man's first interest is man; that no manifestation in economics can serve man individually when it loses sight of man collectively.

The better world of to-morrow will understand this simple fact and, in the process of reshaping our economics to better adapt man's collective effort to man's collective good, we may find that the credit union has for us some simple, humble lessons of extraordinary value.

highs and lows

(*Continued from page 17*)

to predict whether crops in the sections in which he is interested are likely to be normal, or whether through some freak of the weather, like a bad storm, an untimely frost or a drought, they will be ruined. He will therefore know weeks ahead of time that collections in a particular district will be slow because the weather has played tricks with the crops. This knowledge will also govern his policy of credit extension in this section. Another district may be dependent upon a large industry. But industries are also vulnerable to the attacks of the elements. Storms destroy property and throw men out of work.

A knowledge of weather conditions may influence not only credits and collections, but also sales campaigns. For example, the credit executive of a firm manufacturing light summer clothing might discover from a study of weather maps that unusually warm weather was being enjoyed in certain sections of the country a little in advance of schedule. He would indicate to the Sales Department that this would be the moment to direct a sales campaign to this territory and take profitable advantage of the unusually favorable weather conditions. Conversely, indications of a belated summer and a cold spring would make that credit executive go to the head of the firm and suggest that production be curtailed and if possible, a slightly heavier garment manufactured.

The credit executive will learn to pick out of the mass of weather data the facts which are most pertinent to him. He may find it helpful to construct his own personal weather map. He can use a large map of the United States and indicate on it by means of various colored tacks, storms or droughts which threaten damage to property and crops and consequent economic distress, unseasonable heat or cold waves, etc.

Weather is an economic factor about which certainly too much has been said and too little done. It offers a valuable index to the credit executive who is willing to study the subject and forge for himself a precision instrument which will be exceedingly useful to him in his difficult job of credit analysis.

the past writes the future

(*Continued from page 19*)

people have used up in some measure the stocks of clothing and other commodities which they had accumulated during the flush period, buying picks up. Even if people spend no more dollars than before, the volume of goods moved becomes greater and production cannot continue at a level thirty-five per cent. below the peak if it is to meet the demand of consumers. This results in an increase in industrial activity. This, in turn, means increased employment both in manufactures and in the production of raw materials. Thus comes the first stage of the business revival.

We have now entered upon that stage. With reduced retail prices and depleted inventories, production will mount gradually throughout 1931. By December of this year the volume of industrial output should be twenty-five per cent. larger, at least, than it was in December, 1930. According to the Federal Reserve index of physical output, productive activity had fallen from an average of 124 during the six months from April to September, 1929, to 82 in December, 1930. A rise of one-fourth from that point would bring it to 103 at the close of this year. That would still be far from boom activity; in fact, it would be a full ten per cent. below normal. But it would make a great difference in the general psychological state of the community. The mere fact that employment is picking up once more will make people more ready to buy goods, and will accelerate the recovery when once it is started.

It will remove the doubts of investors, too, as to the soundness of corporations and as to the maintenance of dividends on their stocks. The result of this will be rising security prices in both the bond market and the stock market. Since everyone feels himself better off when securities are rising than when they are falling, this situation will further stimulate consumer buying, espe-

cially in durable luxury goods.

What has been said here about the continued decline in manufactured products and in retail prices will raise a question as to the future of profits. But profits will be maintained at satisfactory levels even at these lower prices. An increase in production such as has been here suggested will give us an average industrial output for 1931 just about equal to that of last year. The difference will be that while in 1930 we experienced a gradual reduction of output from 105 at the beginning of the year to 82 at the close; we shall, during 1931, have a rise from 82 at the beginning of this year to 103 at its close. If this prediction is realized, profits will be better this year than they were last.

For while prices have been moving downward, another set of readjustments has been taking place. Costs of production have been falling. This is in part due to the decline in raw materials which has already been described. The manufacturer began the year 1930 with the materials which had been purchased some months before the opening of that year. He entered this current year with inventories which were acquired practically at the bottom of the price move. His labor costs, too, have declined materially. This is not due so much to the reduction of wages, although there has been more of this than is generally believed or than mere wage rates indicate; but rather to the great increase of the efficiency of labor and of management which has taken place during the last eighteen months and which is still continuing. Overhead costs, too, have been drastically reduced, and commercial credit for the merchant and manufacturer costs less.

This set of readjustments in production costs places the manufacturer in a position where any increase in demand will at once call forth larger production without raising prices. The American manufacturer can make money at these prices, if only he can get volume. With the downward readjustments in costs, the economic balance of the business machine has been restored and it can run at full speed on the new and lower price level.

The history of industry during the decade of 1920 to 1929 furnishes a remarkable example of the manner in which costs are readjusted downward through increasing efficiency; and of how profits can be maintained in the face of falling prices. An example or two may reinforce this observation.

The Flying Squadron and Economic Credit Council

THERE are to date approximately 1,000 members enrolled in the Squadron and Council. The names of those who enlisted since the last publication of the list are given below:

A. E. Reed, The W. S. Tyler Co., Cleveland, Ohio.

D. I. Robbins, Munns Brothers, Lexington, Ky.

WINGS THAT ARE WON

Members of the Flying Squadron and Economic Credit Council who have won their wings now total 235.

J. H. J. Reinhard, Secretary, Lehigh Valley Ass'n. of Credit Men, Allentown, Pa.

Reuben H. Bachman, Bee Automobile Co., Allentown, Pa.

C. O. Baker, Casey-Swasey Cigar Co., Fort Worth, Texas.

E. G. Leihy, Blumauer-Frank Drug Co., Portland, Oregon.

D. G. Wylie, Bloomington Limestone Co., Bloomington, Ind.

A. Wagenfuehr, The Boatmen's National Bank, St. Louis, Mo.

W. J. Hubbard, Jr., Fletcher American National Bank, Indianapolis, Ind.

J. G. Martin, E. C. Atkins & Co., Indianapolis, Ind.

F. J. Hamerin, Lilly Varnish Co., Indianapolis, Ind.

L. R. Booth, Ciba Company, Inc., New York City, N. Y.

D. W. Cauley, The Cleveland Association of Credit Men, Cleveland, Ohio.

Joseph Adler, Pacific Godman Shoe Co., San Francisco, Calif.

E. C. Gayman, Sperry Flour Co., San Francisco, Calif.

L. B. Koblitz, The Cleveland Builders Supply Co., Cleveland, Ohio.

I. E. Stine, The A. R. Duncan Jr. Co., Cleveland, Ohio.

W. J. Ederer, First City Trust & Savings Bank, Akron, Ohio.

W. E. Rice, Graybar Electric Company, Cleveland, Ohio.

Clay Herrick, The Guardian Trust Co., Cleveland, Ohio.

J. H. L. Janson, The Cleveland Trust Co., Cleveland, Ohio.

Floyd E. Shaw, Klauber-Wagenheim Co., San Diego, Calif.

S. W. Murray, Westinghouse Electric Supply Co., Los Angeles, Calif.

G. E. Miller, Rollins Hosiery Mills, Inc., Des Moines, Iowa.

H. B. Anderson, Samson Tire & Rubber Co., Los Angeles, Calif.

George J. Gruen, Gruen Watch Makers Guild, Cincinnati, Ohio.

C. A. Wells, John S. Brittain Dry Goods Co., St. Joseph, Mo.

Stanley R. Barker, Secretary, Syracuse Association of Credit Men, Syracuse, N. Y.

F. A. Kreuzer, Muench-Kreuzer Candle Co. Inc., Syracuse, N. Y.

S. M. Anderson, Neal & Hyde, Inc., Syracuse, N. Y.

W. G. Marot, Morris Plan Co. of Syracuse, Syracuse, N. Y.

Philip A. Smithling, Syracuse Herald, Syracuse, N. Y.

Charles W. Chesley, Charleston Electrical Supply Co., Inc., Charleston, W. Va.

J. Edward Stilz, Kiefer-Stewart Co., Indianapolis, Ind.

R. B. Porter, First Trust & Deposit Co., Syracuse, N. Y.

John A. Conway, Mack, Miller Candle Co., Syracuse, N. Y.

Robert S. Merrill, A. E. Nettleton Co., Syracuse, N. Y.

George A. Small, Smith & Caffrey Co., Syracuse, N. Y.

J. F. Wood, Richmond Dry Goods Co., Inc., Richmond, Va.

A. L. Sausen, Crane Company, St. Paul, Minn.

Rubert Lindholm, Northwestern-Jobbers Credit Bureau, St. Paul, Minn.

Edward Pfleger, O'Neil Oil Company, Milwaukee, Wis.

Fred C. Meinhardt, Badger Radio Corporation, Milwaukee, Wis.

W. E. Beamer, A. V. Love Dry Goods Co., Seattle, Wash.

C. M. Bozwell, Simmons Hardware Co., Sioux City, Iowa.

R. B. Comstock, Tolerton & Warfield Co., Sioux City, Iowa.

J. J. Cook, Johnson Biscuit Co., Sioux City, Iowa.

R. W. Dean, Firestone Tire & Rubber Co., Sioux City, Iowa.

G. A. Junk, McKesson-More & Porterfield Co., Sioux City, Iowa.

P. R. Puckett, Aalfs Paint & Glass Co., Sioux City, Iowa.

L. L. Mason, R. H. Kyle & Co., Charleston, W. Va.

W. O. Nice, Armour & Co., Duluth, Minn.

S. W. Leaver, Inter-Mountain Electric Co., Salt Lake City, Utah.

Howard F. Barker, 176 Ontario St., Providence, R. I.

R. S. Thornton, Geo. L. Claflin Co., Providence, R. I.

Henry J. Becker, Narragansett Machine Co., Pawtucket, R. I.

Edgar M. Docherty, Wm. C. Greene Co., Providence, R. I.

Howard S. Hopkins, Belcher & Loomis Hardware Co., Providence, R. I.

Harrison Howard, R. I. Supply & Sprinkler Co., Providence, R. I.

Ernest I. Kilcup, Davol Rubber Co., Providence, R. I.

A. E. Richardson, Simmons Hardware Co., Sioux City, Iowa.

Webster Earl Smith, Minneapolis, Minn.

The year 1929 marked the peak of profits for the ten-year period, yet the price level of industrial commodities (all commodities other than farm products and food) averaged only 94. In 1920, the price level had stood at 161. Profits in that year for all manufactures were only two-thirds as large as in 1929. The answer to the puzzle is found in the fact that the volume of output had risen from an average of 87 in 1920 to 119 in the latter year. Factory payrolls, on the other hand, had fallen from 118 in the former year to 107 in 1929.

Still more striking, perhaps, is the fact that profits in the manufacturing industry for 1930 were fully as high as in 1920. Prices during 1930 averaged only 85 for finished products as against 161 for 1920. But the production index stood at 95 as against 87 in 1920, and pay rolls were down to 87, compared with 118 in the earlier year. It is clear that profits depend much more upon high efficiency and large output than upon high price levels.

The final readjustment which is needed to restore prosperity must come in the cost of new capital. A thoroughgoing revival in business never comes until funds for long-time investment are abundant and cheap, that is, until you have an active and rising bond market. We have had three great bond markets in this country during the post-war period. The first came in 1921 and lasted until the beginning of 1923. Another started in the spring of 1924 and ran through 1925. The third began early in 1927 and culminated in the spring of 1928. Everyone of these bond markets coincided with a great increase in business activity and helped bring about prosperity after a period of depression.

At this time prosperity is hampered and the industrial machine of the world is sticking on dead center because we lack a market on which bonds can be sold in large volume at rising prices. Why is it necessary to have a good bond market in order to bring business revival? The greatest decline in industry has not been in the production of foods, and most of the other things which people buy to maintain their daily life. It has been most pronounced in those industries that manufacture durable goods, —goods which require time in order to get their use out of them. They are houses, automobiles, machines, industrial plants and the raw materials which are needed for the construction of these things, such as iron and steel, copper, rubber and the other metals.

These are what the economist calls "capital goods." It is the production of this type of thing which gives rise to the demand for funds at your bank and in the bond market. When a man buys food and clothing for his family he commonly pays for these out of his current income; five-sixths of all his income will be spent for these things that are necessary to maintain his customary standard of living. But when he decides to build a house he does not pay for it out of the income which he receives during the year in which he builds it. The average man will spend on a house about twice his annual income and about ten to fifteen years of his savings. Obviously, he cannot finance that out of his income; he must borrow capital to do it. Automobiles are in the same general category, although they are not as expensive relatively to his income as is his dwelling. The same is true of machines for factories, locomotives and equipment for railroads, and electric light and power plant. In order that these may be built, someone must consent to save his income rather than spend it, and wait

(*Continued on page* 47)

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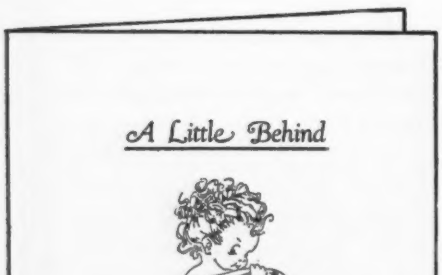

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Collection Folders

At the left are reproduced the last two in the series of six collection folders sent out by the A. M. Davis Company, two of which were reprinted in the April issue and the first two in the March issue.

These are four-page folders, 3½ inches x 5 inches. The third page of each folder which carries the collection remind is also reproduced to show how well the tone of the drawings on the covers is carried out.

Fighting Unfair Discounts

As an aid in the fight against the practive of taking unearned discounts, the National Association of Credit Men has devised a new inclosure card to be used when returning short-payment checks.

The message is printed in black on a green card, 5½ x 3½ inches, and reads as follows:

THE MEANEST RACKET

In every case of improper deduction of discount, the seller has a definite obligation to return the payment offered. To condone the practice of taking unearned discount is to encourage cut-throat competition and lack of honesty in business dealings.

Deduction of unearned discount is merely a form of short-payment, a petty graft which American business men should not tolerate.

NATIONAL ASSOCIATION OF CREDIT MEN

One Park Avenue New York City

The use of this inclosure card will enable a company to take a firm and consistent stand in the matter of unfair discounts.

the past writes the future

(*Continued from page 45*)

for the future for his return.

Now it is just these capital goods which we have not been producing during the past year. It is the workmen and the firms that have been engaged in this line of industry which have been unemployed. They will never revive thoroughly until there is an abundant supply of capital at cheap rates of interest. Such a bond market is now in the making and it will be strong and sustained during the remainder of the year.

Several things have happened in the last year to spoil the capital market. The American people have saved enough so that we might have had a good bond market. A revival in the capital market was started in the spring of the year; but from June to September certain political occurrences in the world shook the faith of the investing public in foreign bonds, at least. Peru, Bolivia, Argentina and Brazil,—all had revolutions between June and October. The success of each one seemed to stimulate the next. Our people are heavy investors in South American bonds. Germany was unsettled both politically and financially from July to December, and Australia was in financial difficulties. These developments greatly depreciated the quality of the credit of these nations for the time being at least. All of these nations needed capital with which to buy the materials needed for the construction of durable goods.

This deterioration in the quality of credit of the world has been one of the causes which accentuated the price decline for commodities and the decrease in demand. The world stands most sorely in need today of events which will improve the quality of the credit which these nations and their citizens have to offer us. During recent weeks there is evidence at last that this improvement has come.

The other thing that happened to interfere with the bond market was the epidemic of bank failures that struck us in November and December. Prudence, and the desire for liquidity which came with it, led many banks to go out and sell their bonds. This resulted in a veritable panic in the bond market during December. As we get over the hesitation and suspicion caused by these occurrences, we will have a good bond market and a thorough business revival. We have reached the turning point in bonds and it is reasonable to expect that the rise in bonds will continue from nine to twelve months. It would not be at all surprising if in that market first-rate bonds of the type which are included in the Dow-Jones index will see a level of prices higher than they reached in 1928. The same sort of forces are at work now in the bond market which were present in 1921, 1924 and 1927. The Federal Reserve situation, which is always a guide to the future of the bond market, has seldom been easier in all its history. With the return flow of hoarded currency which will come when confidence is restored, the Reserve System will remain easy throughout the spring and summer. Gold is still being imported into the United States, and there is no prospect of a large demand upon the Reserve System before December.

In this situation we are bound to develop a large demand for bonds. The bankers of the United States are not going to leave their credit balances lying idle at the Federal Reserve for many weeks before they put them into use. They will do this by buying listed, saleable bonds, and in my opinion they will make a profit on the operation. If what I have said about the outlook for business this year is true, banks will not have a tremendous demand for commercial funds. There will, however, be an increasing demand for funds with which to undertake the construction of durable goods. If that demand is supplied through the bond and mortgage markets, the revival of activity in the construction of such goods will become pronounced and prosperity will be fully restored by the forces which have been here described.

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foreign traders meet in May

THE National Foreign Trade Council will hold its eighteenth annual convention in New York City, from May 27 to May 29, inclusive. There will be three General Sessions, at which addresses by prominent foreign traders will be heard. Among the speakers scheduled are James A. Farrell, president of the U. S. Steel Corporation, who will speak on "The World Trade Outlook" at the first General Session, Wednesday morning, May 27, and Victor M. Cutter, president of the United Fruit Co., who will speak on "Our Relations with Latin America" at the Thursday morning General Session.

The Convention will also include six Group Sessions, at which the following topics will be discussed: Export Merchandising, Imports, Co-operation in Export Merchandising, Co-operation in Export Trade, Credits (in co-operation with the National Association of Credit Men), Export Advertising, and Foreign Trade Banking.

Full details about the Convention may be had by writing to the National Foreign Trade Council, 1 Hanover Square, New York.

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protect the irreplaceable

(*Continued from page 21*)

Yet how many laymen would even think of such a fire hazard? The Chicago Board of Underwriters has stated the case succinctly: "There is no such thing as a Fireproof Building. A building will resist damage to itself by fire from within or from an exposure according to the nature and application of the materials used in its construction. It is absurd to expect that a building which is built partly of fire resisting materials and partly of combustible materials and filled with combustible contents will not be materially injured both as to structure and contents when

subjected to high temperatures."

Record protection must be approached as a specific problem. Dependence cannot be placed on general measures to safeguard records against fire hazards. The degree of protection given various classes of records depends upon their relative importance and the ease with which they might be duplicated in the event of loss. No off hand statement or estimate can fully determine relative record importance. Generally we regard correspondence as a matter of lesser import. Yet even letters may have hidden values. Correspondence analysis, undertaken for other purposes, has sometimes revealed high cash value in certain letters, especially in the settlement of controverted matters.

The first step in record protection should be an analysis of fire hazards and a classification or grading of all records according to importance. The form of protection chosen should combine the maximum of fire resistance and convenience. In general, records are more or less constantly used every day. To locate records in a relatively inaccessible vault necessitating constant traffic to and fro might be sacrificing convenience for protection.

Modern, well constructed vaults located where the danger of structural collapse of supporting members is not present, afford a high degree of protection. But reliance should not be placed upon a storage closet simply because it is called a "vault." The doors and general construction of a vault determine its degree of fire resistance. If these are up to standard reasonable safety is present. If, as is frequently the case with so-called "office vaults," there are minor structural deficiencies, the protective value is highly impaired. Portable vaults are a modern adaptation which add convenience to vault protection.

Insulated safes, with flexible interiors designed to suit individual needs, are a very satisfactory method of protection. These safes offer a guaranteed, pre-tested degree of fire and impact resistance which affords a margin of safety in even heavy fires. Insulated safes have shown a high average of efficiency in many of the worst fires of the last few years. The degree of fire resistance of this type of safe depends upon the efficiency of its insulation. Dry or bound moisture is the essential element of safety. This moisture, released under conditions of high external temperature, maintains an inner temperature well below the degree of heat (approximately 470 F.) at which paper burns. Since all free moisture is usually pre-evaporated before the safes are offered for sale, the protective element remains more or less constant for a long period of time—generally estimated at around 50 years.

Apart from fire, safes and containers are imperilled by falling—sometimes several floors—and by crushing from girders, beams and debris. A safe, to really protect its contents, must be able to withstand considerable impact without buckling or cracking to an extent that would admit damaging heat. Reliable safes are pre-tested for impact resistance by specially developed "drop tests" which indicate the structural integrity of the construction.

YOU CAN GET

two booklets on protection of records against loss by fire, by sending in your request for this valuable information to Credit and Financial Management, One Park Avenue, New York.

Fire resistive safes, labelled to indicate the degree of fire and impact for which they have been tested, are used, not only because of their inherent protective value but because, conveniently located, they make record protection accessible. Many records are destroyed because of the impossibility of getting them to a place of safety when fire breaks out during business hours. With fire resistive safes furnished each department and one employee in each department held responsible for the safety of all records, this risk is minimized. Accessibility also minimizes the risk of papers left in desks at night because employees, hurrying home, do not want to take the time to carry them to a vault or other storage place.

If floor space is very valuable, fire resistive safes may be had with doors that slide inside the safe. To guard against "forgetting", safes have even been developed with a self-closing and locking device. When outside temperature rises above a certain degree, the doors of the safe automatically shut and lock.

Since it is impractical to use safes for the protection of all records, insulated files have been developed for correspondence, legal documents, contracts, credit files, etc. These files offer the same efficiency as standard, uninsulated filing units, with the added feature of fire resistance. Uninsulated steel will not, of course, protect records against any save a very minor blaze. The cabinets, in themselves, are not combustible. But steel generates and absorbs heat. High inside temperatures result. The contents may be entirely destroyed while the file remains intact. Insulated files are made in several styles, some embodying the same general principles of safe construction, others using asbestos and dead air space as an insulator.

Visible indexes may also be had in fire resistant cabinets. Desks which are fire resistant may be had. The drawers of such desks are usually made up of fire resistant file units. There are various types of fire resistant ledger desks which give instant protection, on the spot, to ledger records. All of these desks are designed to facilitate work as well as to provide protection. They are an aid to efficiency as well as a safeguard. In addition to fire resistant qualities, ledger desks may be had with special construction features designed to protect against crushing from falling beams and to guard the contents against the possibility of water soaking. Fire resistant counter arrangements may be had in a variety of combinations.

The question that management must solve is not "shall we protect our records" but "how many records shall we protect and what degree of protection shall we give them?" To these questions there is no general answer. However it might be pointed out that those firms which dominate the industrial world are, generally, the most careful about their records.

Business demands of management that it show foresight. To provide against possible contingencies must be one test of good management. Record protective equipment should be thought of in the light of record insurance. The investment made in such equipment is essentially the same as the payment of insurance premiums. No business would operate without fire insurance. No business should operate without record protection. The two items should be regarded as part of a single program—the guarding against possible loss of profits and disruption of business through the chaos resulting from a disastrous fire.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912.
Of CREDIT AND FINANCIAL MANAGEMENT, published monthly at New York, N. Y., for April 1, 1931.
STATE OF NEW YORK,
COUNTY OF NEW YORK, ss.

Before me, a Notary Public in and for the State and county aforesaid, personally appeared Chester H. McCall, who, having been duty sworn according to law, deposes and says that he is the editor and business manager of CREDIT AND FINANCIAL MANAGEMENT, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, National Association of Credit Men, 1 Park Avenue, New York City. Editor, Chester H. McCall, 1 Park Avenue, New York City. Business Manager, Chester H. McCall, 1 Park Avenue, New York City.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent. or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.) National Association of Credit Men, a non-stock corporation with the following officers: William Fraser, J. P. Stevens Co., New York, President; E. Don Ross, Irwin-Hodson Co., Portland, Ore., Vice-Pres.; H. H. Heimann, Kawneer Co., Niles, Michigan, Vice-Pres.; F. S. Hughes, Federal Reserve Bank of Boston, Boston, Mass., Vice-Pres.; Stephen I. Miller, One Park Avenue, Executive Manager and Treasurer; W. S. Swingle, One Park Avenue, Asst. Treasurer.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent. or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is —— (This information is required from daily publications only).

CHESTER H. McCALL, Editor.

Sworn to and subscribed before me this 20th day of March, 1931.

RUTH E. HOCTOR,
(Seal) Notary Public, Kings County
Clerk's No. 214, Reg. No. 2237
Certificate filed in New York County,
N. Y. Clerk's No. 612, Reg. No. 2-4-404
My commission expires March 30, 1932

taken names and given numbers

(*Continued from page 25*)

was typewritten on the orders which were in every case unsigned. These irregularities, together with the fact that there was a reputable and long-established firm in the town which operated under the name of the Seven Springs Company made several of the manufacturers suspicious. The N. A. C. M. Fraud Prevention Department was notified and an investigation was started.

The investigator assigned to the case found that the Seven Springs Trading Company store contained only a small amount of merchandise, and that the proprietor, George C. Thomas, spent very little time there, usually leaving a clerk in charge. Thomas had been seen on several occasions taking large bundles of merchandise out of the store. As a result of the investigation, indictments were returned against George C. Thomas and Aeyoup S. Hatem, charging both with conspiracy and use of the mails in a scheme to defraud.

Thomas entered a plea of guilty in the U. S. District Court at Fayetteville, N. C., and was sentenced by Judge I. M. Meekins to 1 year and 1 day in the Federal penitentiary at Atlanta. Hatem failed to appear and a capias was issued for his arrest.

Imagine a ramshackle frame building with the roof half off and the other half full of holes through which the rain dripped into the building! This, if you please, was the Concord Leder Store of Concord, North Carolina, base of operations for George Romanus, one of the leaders of the similar name fraud group.

The name of the enterprise would indicate that it was a retail establishment, but it was seldom open for business and very rarely sold anything. Orders for merchandise however were broadcast throughout the United States, beginning in May, 1928. When placing an order, the Concord Leder Store would refer to its rating in Commercial Agencies. These ratings listed the proprietor as A. E. Nahir, a mythical individual.

The ramshackle store with its high-sounding name aroused the suspicions of Fraud Investigator Cawley. Investigation disclosed that at no time did the store contain more than $100 worth of cheap merchandise. It was found, however, that a great deal of merchandise was being received at the railroad depot consigned to the Concord Leder Store and from there was being reshipped.

The investigations in this case led to various parts of the United States and representatives of the Fraud Prevention Department in various districts secured statements from merchants as to their reasons for extending credit to the Concord Leder Store and also financial statements and original correspondence from the fraudulent concern. As a result of these investigations, George Romanus was convicted during the month of April, 1930, on a charge of using the mails in a scheme to defraud and was later sentenced to a term of imprisonment of one year and one day in the Atlanta Penitentiary.

The similar name fraud in North Carolina was a good racket—while it lasted. But rackets as highly developed as this one can't last long. They make crime too conspicuous.

One Month's Convictions

Fraud Prevention Department of the National Association of Credit Men

FEBRUARY, 1931

Case	Individual	Charge	Sentence
Einhorn Bros., 254 Wallabout St., Brooklyn, N. Y. (Mfr. Parlor Suites & Upholstered Furn.)	Edward Einhorn	Concealment of Assets and Conspiracy.	4 months (suspended).
	Louis Einhorn		4 months.
	Joseph Einhorn		4 months.
Citron & Springer, 580 - 8th Ave., New York City, N. Y. (Mfr. Coats & Suits)	Sol Citron	Issuance of a false statement.	3 months. (Workhouse).
Louis Ferayorni, 542 Broadway, Astoria, L. I. (Retail Meat Stores)	Louis Ferayorni	Concealment of Assets.	30 days.
J. H. Jacques, 72 Emerson St., Haverhill, Mass. (Jewelry)	Donat Jacques	Larceny of Merchandise	2½ years in the Massachusetts State Prison.
	Salim Mansour	Larceny of Merchandise	5 to 9 years in Massachusetts State Prison.
	Rose Desjardin	Larceny of Merchandise	Placed on probation for 2 years.
Abraham Goldstein, 230 High St., Burlington, N. J. (Gen. Merchandise)	Abraham Goldstein	Concealment of Assets.	Suspended sentence of 1 year and 1 day.
Cameron A. Miller, Pittsburgh, Pa.	Cameron A. Miller	Concealment of Assets.	1 year and 1 day.
Fred L. Lieb, Ziegler, Ill. (Drugs)	Arthur Weiler	Concealment of Assets.	2 years probation.
	Fred L. Lieb	Concealment of Assets.	1 year Franklin County jail. (Suspended). 2 years probation.
Oscar Oates, Detroit, Michigan. (Retail Meats)	Oscar Oates	Concealment of Assets.	(To be sentenced later.)
Oscar Blair, Van Lear, Kentucky. (Gen'l Mdse.)	Oscar Blair	False Financial Statement.	One year Frankfort Penitentiary.

Total of 1092 *Convictions from June* 1, 1925, *to February* 28, 1931.

addresses wanted

BLACKWELL, ELIZABETH and LESTER, formerly Crown Drug Co., 14th and J. Sts., Sacramento, Calif.

BORASI, JAMES, formerly operated as the Riveria Restaurant Co., at High and Clinton Aves., Newark, N. J. Last known residence address, Vineland, N. J.

BROLITE LACQUER SUPPLY CO., also known as McGowns, 1301 Carondolet St., New Orleans, La.

BURKE, C. M., formerly Hi-Way Garage, Fort Hancock, Texas.

CHIAPPAZZI, JOE, painter and decorator, formerly located at 1062 West 12th Street, Erie, Penna.

DAVALOS, F., 632 N. Azusa, Azusa, Calif. In the shoe repairing business during October, 1928.

FISHER, SAUL, started business in November last at Mt. Joy, Penna. Left Mt. Joy the day before Christmas of 1930.

GUTTMAN, ADOLF, formerly 651 E. 180th St., New York City.

H. & G. SHOE COMPANY, 2 Fifth Avenue, Brooklyn, N. Y. Owners believed to be Hake & Greenbaum.

HAWLEY, WALLACE EARL, alias Wallace Earl or W. Earl; newspaper man, special edition specialty; former address 1419 Grand Avenue, Alemeda, Calif.

HOHENSEE, ADOLPH, formerly Tampa, Florida.

JOHNSON, W. A., Prop. Standard Radio, 164-03 Northern Blvd., Flushing, N. Y.

LARSON, A. O., Home Toggery, Mullan, Idaho.

LEWIN, S., 6930 Haverford Avenue, Philadelphia.

MILLER, B. T., painter and decorator, formerly 926 Fernwood Avenue, Royal Oak, Michigan.

NIERNBERGER, A. E., DDS., 6429 Evans Avenue, Chicago.

OKO, NATHAN, Confectionery, formerly 2955 W. 63rd St., Chicago, now believed to be in California.

RAPOPORT, JOSEPH, formerly conducted business under the style of Rapoport Bros., 521 8th Avenue, New York City.

ROESSLER, LOUIS, 1120 Cortelyou Road, Brooklyn, N. Y.

SHERMAN, JULIUS, formerly 3323 Church Ave., Brooklyn, N. Y.

SNELL, WALTER E., formerly did business under the name of Bond Paper & Chemical Company, 32 Everett Street, Allston, Mass.

VERDURMAN, PIERRE, formerly operated the Harper Pharmacy, 8251 Melrose Ave., Los Angeles, Calif.

cementing business

(*Continued from page* 28)

placed in our credit files for future reference should we ever find it necessary to call on the customer again. In this manner, we can determine exactly what was said as well as our reason for making the original call. We have always felt that association with our customers breaks down that general feeling of disrespect for credit departments and enables us in every instance to cooperate more intelligently with them.

Many of our customers deal also in lumber and other inflammable materials and it has always been our policy to check thoroughly the question of proper fire insurance protection, and to impress upon our customers the advisability of carrying fire and other forms of insurance.

A short time ago one of the representatives of our credit department had occasion to call upon a prospective customer in the State of Virginia. He was not favorably impressed with the situation in this particular case, because the prospective customer had a substantial investment in buildings and inventory not properly covered by insurance. Since this prospective customer could not be convinced that proper insurance coverage was important, he was not sold on our regular terms. This customer later had a very serious fire with the result that many of his creditors sustained severe losses.

We offer our customers the assistance of our auditors in establishing efficient bookkeeping systems. This enables them to get a clear picture of their financial condition. Our auditors also offer them assistance in collection methods and in the proper aging of their accounts to determine the actual worth of their accounts receivable. We impress upon our customers the importance of keeping properly aged accounts and warn them against selling an account unless they know the financial condition of the account warrants it. It is our opinion that regardless of whom we sell, a knowledge of their financial responsibility is important.

We have never been believers in form letters and they have never been employed in the general procedure of following our delinquent accounts. *Every customer that we sell receives personal attention from a sales angle and it has been our belief that this should be followed through with the ultimate payment of an account.* Herein, I believe is where many credit departments miss their biggest opportunity. A sale is not completed until it is paid for and the same personal element should characterize the latter as well as the earlier stages of sale. We write personal letters on every account.

We have found the use of the Dictaphone an efficient method of handling our correspondence.

Our statements are made out at the end of thirty days. If an account requires it at this time, a collection letter is written to accompany the statement. A copy of this letter is sent to the salesman covering the territory and also to the District Salesmanager, who has direct supervision over the salesman. If the salesman has any comments to make about the letter, he places them on the copy and promptly returns it to us so that he may have every opportunity to guide us whenever possible in our collection methods. If we receive no comments from the salesman or the

(*Continued on page* 52)

cementing business

(*Continued from page 50*)

District Office, we presume the procedure we are following is satisfactory to them.

Under our method of procedure an automatic come-up date is placed on the letters and by systematic filing of cards the files of the accounts requiring attention are placed on the correspondent's desk each morning. Our usual procedure is to follow the account about every eight days which under ordinary circumstances allows the customer five days in which to give the matter his attention.

At the time payment is made, the salesman and the District Office concerned are advised of the amount received and the date on which payment is received by means of a form which we have had printed. This form is sent out only on accounts that are past due and on which correspondence has been sent to the salesman and District Office.

Every month our accounts are aged according to the number of days past due. This report is made out by the use of a "Ditto" machine which we find very economical. A copy of this report is sent to every District Sales Manager for perusal and comment.

We further distribute our delinquents by States and Sections so that we may know what sections to concentrate upon. Since some representative of the credit department is generally traveling in each of our selling territories, we can direct the activity of the traveling representative to the section which needs attention.

At the end of a year, an annual report is submitted to the executives of our company so that they may be thoroughly familiar with the method of operation of the credit department, rather than merely know how much money we may have lost.

This report carries the number of new accounts we have taken on during the year, subdivided to show from which mill the original order was shipped, and the number of new accounts in each State. We also show by month the relationship of past due accounts to the balance on our ledgers so that we can determine over a period the general trend of our collections. This item is further divided by commodities to show what proportion the past due accounts bear to the volume of sales and to the amount on the Accounts Receivable ledgers.

There is an unmistakable and never-failing ratio between the percentage of past due accounts and the bad debt loss. In other words, a current report of the percentage of past due accounts serves as a forecast for the probable bad debt loss of the year. How many credit departments keep a monthly and yearly statement showing the delinquent balance at the end of each month and the percentage of this delinquent or overdue balance to the total receivables?

This report is one of the important management records of our credit department. The percentage of past dues should also be analyzed as to age, because if this index figure of delinquents is not weighted through age analysis, there is no scientific basis upon which to forecast accurately the probable bad debt loss. In other words, suppose the percentage is 15 per cent. This 15 per cent. should be analyzed to show what percentage of this percentage is thirty, sixty, ninety days etc., past due.

This report also shows the total number of "Active Accounts" on our records, (which, in this case, are accounts sold during the past four years) and in what year they were sold. We find this of considerable assistance to us in subscribing for our Interchange and Mercantile service in order that we will not oversubscribe or undersubscribe for this service. We also carry a complete explanation of every account "charged off" and the reason for so doing, including the prospects for collection. The items of fees and advances paid to attorneys; traveling expenses; exchange fees; telegrams and contributions to Credit Protection fund, etc. are also shown so that we may know what our total collection expense is for the year.

In conclusion, I want to present my beliefs on the philosophy and psychology of executive credit management. The credit manager must be the Chief Justice of the Supreme Court of Credit Decisions. His must be the authority of first decision and final appeal. Whenever you find an organization where the sales manager goes to the president and complains that the credit manager won't pass on an account that the sales manager thinks is good and where the president will override the credit manager's judgment in favor of the opinion of the sales manager you have a lack of executive vision and perception that is a curse to the organization. If the credit executive isn't capable of sound judgment, then get another credit executive.

Here's just an example: Our company took over another organization. In this organization that we took over, the credit manager's judgment and decisions were continually overridden by the president and sales manager. The result? *Over virtually the same period, the bad debt losses were approximately three hundred times greater than in our own organization.* Read that italicized sentence once and you will understand the sum and substance of my credit philosophy: Management must have the vision to get a credit executive of vision and constructive ability who will be the Chief Justice of the Supreme Court of Credit Decisions.

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only humans need lose life

(*Continued from page 29*)

surviving partner or stockholder purchases the deceased's interest. The surviving partner or stockholder thereby succeeds to the full ownership of the business. This avoids embarrassing entanglements and eliminates a situation where the widow or another heir "comes into the business." It also eliminates the necessity of a surviving partner or stockholder borrowing money to buy up his late associate's interest.

It has been argued that Business Insurance is essential for large corporations but not so urgent for partnerships. This idea is wholly incorrect. Ordinarily the death of a partner immediately dissolves the partnership, the surviving partner becoming responsible for all partnership debts. Under these conditions it is very advantageous for the surviving partner to have a Business Insurance Agreement in force supported by life insurance so that he will have the money in hand to pay off the deceased partner's interest.

In the close corporation, Business Insurance is extremely essential. It makes no difference whether one stockholder has a larger share of stock than another, the ownership of the close corporation stock should be redistributed through Business Insurance upon the death of the stockholder.

Regarding the agreement in a Business Life policy to buy out the deceased person's interest in a given business, it must be kept in mind that the life underwriter is not a lawyer and that he should not draw up legal documents. The underwriter should not submit the

National Association of Credit Men
Nominations Committee at Boston, Massachusetts, June, 1931

The Nominations Committee of the National Association of Credit Men which will function at the 36th Annual Convention at Boston, Massachusetts, June 22-26, will consist of:

PAST PRESIDENTS

Lawrence Whitty, CHAIRMAN, Consolidated Millinery, Chicago, Illinois.
Frank D. Rock, Armour & Company, San Francisco, Calif.
Geo. J. Gruen, Gruen Watch Company, Cincinnati, Ohio.
Wm. H. Pouch, Concrete Steel Company, New York City.
Richard T. Baden, Holland, Baden & Ramsey, Baltimore, Maryland.

MEMBERS AT LARGE

L. C. Lyon, Gulf Refining Co., Pittsburgh, Pa.
Horace S. Johnston, Central Trust Company, Rochester, N. Y.
Clarence Kaeber, Electric Storage Battery Company, Philadelphia, Pa.
O. T. Erickson, Carter Ink Company, Boston, Mass.
F. S. Schrop, South Bend Watch Company, South Bend, Indiana.
T. F. Regan, Canal Bank & Trust Company, New Orleans, Louisiana.
Geo. H. Martin, Taylor Produce Company, Kalamazoo, Michigan.
J. C. Fowler, Morris & Company, Oklahoma City, Oklahoma.
Ralph Meyer, Brownstein-Louis Company, Los Angeles, Calif.
E. W. Ross, Hirsch-Weiss Company, Portland, Oregon.

REPRESENTING THE DISTRICTS

Harry Haywood, Brown & Sharpe Mfg. Company, Providence, R. I.
C. R. Parks, North American Cement Corporation, Albany, N. Y.
R. F. Holmes, Westinghouse Air Brake Company, Wilmering, Pa.
V. H. Weber, Stratton & Terstegge Company, Louisville, Kentucky.
W. K. Adams, First Wisconsin National Bank, Milwaukee, Wisconsin.
Geo. A. Coffey, Fox-Coffey-Edge Company, Dallas, Texas.
P. M. Millians, Ernest L. Rhodes Co., Inc., Atlanta, Georgia.
E. P. Trussell, Armour & Company, Omaha, Nebraska.
G. M. Nichols, Salt Lake Hdwe. Company, Salt Lake City, Utah.
O. J. Metzler, West Coast Grocery Company, Tacoma, Washington.

legal agreement to the prospect, but merely outline what the agreement should contain. The underwriter should be thoroughly familiar with the purpose of the agreement and with its essential characteristics, but some competent lawyer should do the actual preparing of the agreement.

The credit standing of a firm is often measured by the amount of Business Insurance which it carries. Progressive mercantile agencies and banks (including the Federal Reserve Bank) ask how much of such life insurance is owned. It forms an important item on financial reports and statements. Business Insurance not only creates credit, it also acts as a shock-absorber when credit stability is threatened. When the important person in a firm dies, it follows that the business suffers a certain economic loss. The credit of the firm may be curtailed, creditors may become anxious about the stability of the business, the bank may refuse to renew notes and the morale of valuable employees may be undermined by a feeling of uncertainty or worry concerning their future. The impact of these shocks may be absorbed by Business Insurance.

There are several other secondary advantages which Business Insurance offers a business enterprise. For example, after Business Insurance policies are in force a few years, their cash values constitute an emergency fund which may be used for business purposes during the life-time of the insured members of the company. The Business Insurance agreement may be so written that when the members of the company covered reach advanced ages, the cash values in the insurance policies can be used as a first payment to retire the members from the business. Sometimes a business organization needs additional capital for expansion and authorizes a special bond issue so that the proceeds can be used for such a purpose. In that event the responsible lives may be insured with the understanding that upon the death of one of the insured, the proceeds of the policy will be available to retire the bonded indebtedness in whole or in part.

To sum up the essentials of Life Insurance in its relation to business, we find that Business Insurance specifically accomplishes the following purposes:

1. It replaces the economic loss of a valuable life.
2. It retires the decedent's interest and allows the survivor to continue.
3. It provides an available emergency fund.
4. It acts as a shock-absorber.
5. It stabilizes credit standing.
6. It retires individuals at old age.
7. It retires outstanding indebtedness.
8. It is essential to the "small business".
9. It is essential to the continued existence of partnerships and corporations.

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speed is gold

(*Continued from page* 23)

and during our greatest period of prosperity in this country the fiscal volume of business was increasing at about 4½ per cent. a year. In line with the facts presented and the method by which our credit machinery functions, the gold on hand should show an increase equal to the increase in volume of business. But while the volume of business has increased at the rate of an average 3 per cent. a year the volume of gold has increased at an average of less than 3 per cent. over a similar period.

Now just what can we deduce from these findings? The difference in the rates of increase of business volume and gold volume is only a matter of fractions of one per cent. But it is enough to make us ponder the significance. It is not figured in terms of one single dollar, where the difference would be of little concern, but rather in terms of millions of dollars and here the difference is a matter of great concern and can, in time, become an even more serious problem than it seems now.

Then, if we find no new fields to add to our gold supply and, incidentally, to our potential credit reservoir, we must adjust, in a most cautious and fore-sighted manner, the ratio of credit expansion on the basis of available gold supply.

Here is an excellent place to recall the theme of our viewpoint which was developed earlier in the article—*Gold is really nothing more than a concrete symbolization of the people's faith and confidence in the currency of their country.* That is a juicy, healthy morsel that should be tasted, chewed, swal-

lowed and thoroughly digested by everyone.

It is a summary of our viewpoint. We can make it more concise by saying in a tone of gentle admonishment, "Let us have faith." Faith works wonders in such a matter as the extension of credit as compared to the gold basis. In times of war we make loans far greater than might be justified in times of peace, yet the reason that the loans are justifiable is not that the war is upon us but that the people, realizing the necessity of credit extension to a government in a period of war, have faith in the government's power to repay, and willingly allow the increased loans, in fact, subscribe to the loan's fulfillment in financial as well as moral support. So should we do in times of economic stress and conflict.

Gold is used for the settlement of balances in trade and for a watchdog against inflation, outside of its industrial and artistic uses. But how much gold reserve we actually need for those two first-mentioned purposes is something that we do not know. And it is being conceded by economic thinkers that more or less gold will help us little but that, whether or not we increase or do not increase our gold supply, it is essential that we take a more enlightened attitude toward our credit supply.

There are two viewpoints as to how this should be done. In its recent report, the League of Nations' gold delegation, a committee of experts investigating the problem, reported that the legal reserve requirements of the central banks of the world should be reduced so that credit will be free to expand without any restraint which the necessity of protecting gold reserves makes necessary. The other side to the question is stated succinctly by Dr. Benjamin M. Anderson in the Chase Economic bulletin, March 14, 1930, and approximately a year later in February, 1931, he repeated it almost verbatim in a Chicago address.

"The fundamental solution of the problem of a comparative shortage of gold is to be found in increasing the mobility and the liquidity of goods, through less restricted international trade," Dr. Anderson observes, "and when nations impose serious obstacles to the receipt of goods from one another, a great deal of the export trade is handled on the basis of long credits, which either make slow loans in banks or else require the exporting country to take foreign bonds.

"These credits must grow from year to year to provide for new exports, and to provide for interest on previous credits. The country which has an excess of gold can expand bank credit for such a time as to take care of this. Exporting countries which are short of gold find increasing difficulties in doing this. In any case it is an impossible basis for permanently satisfactory export trade.

"When, however, goods can move with adequate freedom from country to country, and when exports can be paid for with imports, a very different situation is presented. Short-time, self-liquidating credits largely on an acceptance basis, can take care of a great volume of export and import business and the world's supply of gold is abundantly adequate for that. We can economize gold by increasing the mobility and liquidity of goods."

Here we can bring in the opinion of George F. Roberts of the National City Company, and a member of the League's gold delegation. His point is that the increasing utilization of credit will solve the gold shortage, if one should arise.

It seems evident that there is a declining use of gold as currency but there is the matter of the fall in wholesale prices in recent months which has brought them to new levels, where the supplies of new gold likely to become available for money will probably meet the demand for a much longer period than they ordinarily would have done had former price levels been maintained. This is the gold delegation's viewpoint and is agreed on by economists and bankers on either side of the fence in this argument on the gold situation.

Thus we can see that a justifiable amount of faith is necessary for the expansion of a gold dollar into a greater number of credit dollars and thus we can state that the matter of expansion of credit dollars to a further limit in the near future, if necessary, is both valid and sound economically. Since faith governs expansion, expansion can continue sanely as far as the confidence of the people will allow. That point in the present trend seems to be more liberal than ever before and it is well said that we are becoming more sanely-credit-minded each year, slowly and surely. That after all, is the best and perhaps, only way to move ahead. Hasten slowly. We have all heard of the fool rushing in. And we, decidedly, are not fools yet.

Chicago to Canada to Boston

IT is customary for many of the large local associations to plan trips to the annual N. A. C. M. Convention which include sight-seeing tours to points of interest near the Convention city. The Chicago Association, this year, has planned a two-week trip (including the four day Convention in Boston) which should afford the maximum of recreation and interest to those credit executives who avail themselves of this unusual opportunity.

The Chicago delegation will leave Chicago on Saturday, June 13. They will arrive in Detroit on Saturday evening and will be joined there by the Detroit, Toledo, Indianapolis, Cincinnati and Louisville delegations.

The group will arrive in Toronto on Sunday, June 14, and will spend the day touring the city. In the evening it will board one of the steamers of the Canadian Steamship Line for a trip through the Thousand Islands and the St. Lawrence Rapids. The boat will dock at Montreal at 6:00 p. m. on Monday, where a transfer will be made to the Quebec steamer.

Arriving in Quebec early Tuesday, June 16, the group will take up residence at the Chateau Frontenac and will spend Tuesday and Wednesday in a tour of Quebec and St. Anne de Beaupré, the miracle shrine of Canada. The famous Chicago Association dinner will be held on Tuesday evening, at the Chateau Frontenac.

After an over-night trip by boat, the group will arrive in Montreal early Thursday, June 18 and will spend Thursday and Friday in Montreal, leaving there at midnight on Friday.

Saturday will be an unusually eventful day. Arriving in Plattsburg, N. Y. early Saturday morning, the group will board a steamer for a trip to Ausable Chasm. After a trip through the Grand Canyon of the East, the group again boards the steamer for a trip through Lake Champlain. Another steamer takes the group through Lake George. The eventful day finishes with a train trip to Saratoga Springs.

On Sunday, June 21, the delegation will leave Saratoga Springs for Boston where it will arrive at 7:00 p. m. on the same day. Monday, June 22 to Friday, June 26, will be spent in Boston.

There are two return routes planned, one by way of Buffalo and the other by way of Washington.